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October 9, 2020

Filed Via Web Portal

Mark L. Johnson, Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, Washington 98503

Re: Dockets UE-200413 and UE-200414: PSE Informational Filing Providing Additional Information in Support of PSE's Motion to Withdraw the Demand Response and All-Source RFPs

Dear Mr. Johnson:

Puget Sound Energy ("PSE") is providing this informational filing in support of PSE's September 8, 2020 petition to withdraw the Draft Demand Response RFP and the Draft All-Source RFP filed in Dockets UE-200413 and UE-2000414 respectively. This filing provides information in response to questions raised by the Commission during the September 10, 2020 Open Meeting. PSE's petition to withdraw the Draft Demand Response RFP and Draft All-Source RFP is on the agenda for the October 15, 2020 Open Meeting.

It is both appropriate and in the best interest of customers to delay the RFPs at this time for several reasons. First, this RFP was not triggered by a WAC requirement but rather was filed by PSE at PSE's option. WAC 480-107-015 requires a utility to file a draft RFP subsequent to its IRP, if there is a need for new resources within three years. PSE decided to file draft RFPs in March 2020 ahead of the three-year requirement to allow sufficient time to ramp into a then-expected capacity need of approximately 753 MW in 2026 over a period of three years (roughly 200 MW by 2024, 200 MW by 2025 and 353 MW by 2026). In August 2020, PSE updated its need forecast based on its F2020 load forecast, which reduced PSE's expected capacity need by approximately 200 MW to 545 MW in 2026. This reduction is roughly equivalent to the amount of resources PSE proposed to acquire in 2024, the first year of its early acquisition strategy. This means that, in effect, PSE has an additional year to file an RFP to pursue a similar early ramping strategy beginning in 2025 to meet its expected need in 2026 (approximately 200 MW by 2025 and 345 MW by 2026). When PSE's next IRP is published in April of 2021, the company will still have more than four years to bring resources online to meet its 2026 capacity need, which is both longer than the current rule requires and consistent with the draft Purchase of Electricity rule that is currently being considered by the Commission.

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In expressing concerns about PSE's request to withdraw the 2020 RFPs, some stakeholders noted the long lead times associated with certain resources, such as pumped hydro. However, resources such as pumped hydro take approximately seven to ten years to permit and construct, so withdrawing the 2020 RFP at this time and starting the 2021 RFP process in a matter of months should not have an impact one way or another on PSE's ability to meet its 2026 capacity need.

Additionally, PSE notes the following benefits to waiting a few months to issue these RFPs:

- **Informed by the 2021 IRP:** The 2021 RFPs would be informed and guided by PSE's April 2021 IRP. Based on what PSE knows today, the 2021 IRP is likely to demonstrate both a renewable energy and a capacity need, and it also will provide an updated resource strategy based on current conditions and applicable laws. PSE's updated 2020 RFP capacity need forecast includes the updated F2020 load forecast and the updated 2018 RFP resources, but it does not include new information from the 2021 IRP such as updates to the planning margin or cost-effective conservation, which are expected to be updated through the IRP process later this year. Additionally, the 2020 RFPs do not demonstrate a renewable energy need and are not designed to solicit renewable energy resources with little to no capacity benefit. Filing the RFPs in 2021 would enable PSE to include both the renewable energy need forecast and the fully updated capacity need forecast, allowing PSE to choose the best combination of resources to meet both resource needs at the lowest reasonable cost.
- **Efficiency Gains:** Withdrawing the 2020 RFPs would eliminate redundancy and unnecessary delays between the 2020 and 2021 RFPs. In about six months PSE will file its next IRP, which PSE expects will trigger the need for a 2021 RFP. If PSE issues a capacity RFP in November of 2020, the 2020 RFP evaluation process would overlap with the 2021 RFP process. This could lead to a slowdown of both processes, as PSE has only one relatively modestly sized acquisition team to evaluate proposals and negotiate selected contracts. Additionally, any selected 2020 RFP proposals would likely need to be re-evaluated compared to the 2021 offers prior to contract execution to ensure that PSE had selected the lowest reasonable cost combination of resources available to meet its resource needs.

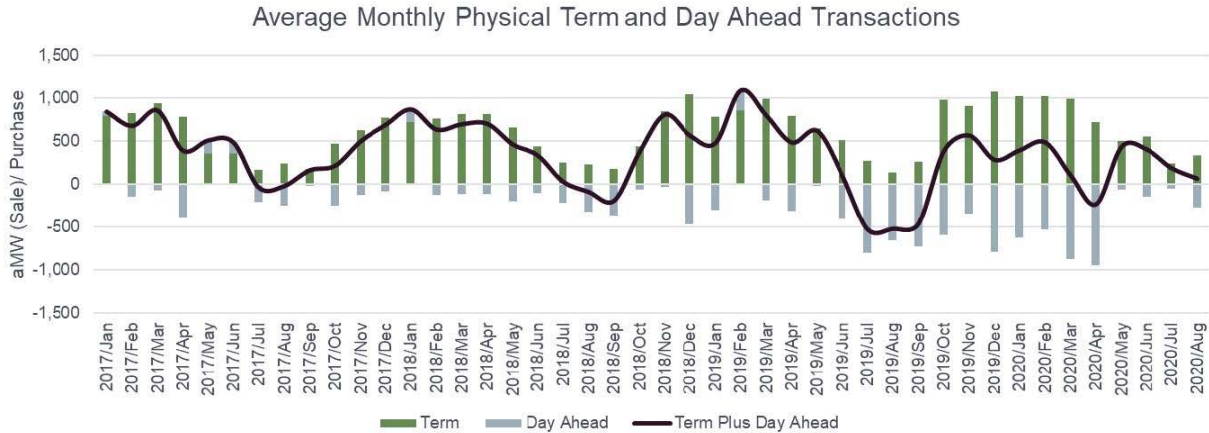
PSE also expects that many of the 2020 RFP bidders would also submit bids into the 2021 RFP process, leading to redundancies for both developers and PSE. By delaying a few months, developers would be able to focus on the capacity and renewable resource needs signaled by the 2021 IRP and prepare proposals to help meet one or both needs. Developers would benefit from an RFP that clearly articulates both value streams for bidders.

- **Process Changes:** Withdrawing the 2020 RFPs now will allow PSE to focus its attention on process improvements and efficiencies that will benefit the 2021 RFPs and beyond. Rather than rush an RFP out the door when it is not truly needed, PSE proposes to use the

next few months to prepare for the changes expected to result from the current Purchase of Electricity rulemaking. This work is expected to include updates to tools and processes, as well as to the RFP documents themselves, to align PSE’s RFP practices with the new rules and make its processes more nimble and efficient. Given the large number of proposals received in response to the 2018 RFPs and the changes ahead, PSE believes that this work to prepare for the coming RFPs would be the best use of its resources until the 2021 IRP is filed.

Furthermore, PSE believes there are efficiencies to be gained for Commission staff in evaluating one set of RFPs at a time (rather than two just a few months apart).

In addition to asking questions at the September 10, 2020 open meeting regarding the timing and objective of PSE’s petition to withdraw the 2020 RFPs, the Commission also asked questions regarding PSE’s reliance on market purchases. Currently, PSE utilizes approximately 1,500 MW of transmission to the Mid-C to meet its energy need from the wholesale market through bilateral transactions. Most of the energy is procured through the hedging program as forward term contracts and the remainder is balanced within the month in the Day Ahead market. The following figure shows PSE net monthly purchases and sales in the forward (Term) and Day Ahead markets from 2017 through August 2020. Over this period, transactions in the short-term Day Ahead market are generally net sales, limiting PSE customer exposure to price volatility in the short-term markets.



In closing, PSE appreciates the opportunity to share more information with the Commission and stakeholders regarding its request to withdraw the 2020 RFPs. Please contact Kara Durbin at (425) 456-2377 for additional information about this informational filing. If you have any other questions, please contact me at (425) 456-2142.

Sincerely,

/s/ Jon Piliaris

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