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August 26, 2020

***Filed Via Web Portal***

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

**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**

Dear Mr. Johnson:

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”) on May 4, 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 Friday, September 4, 2020.

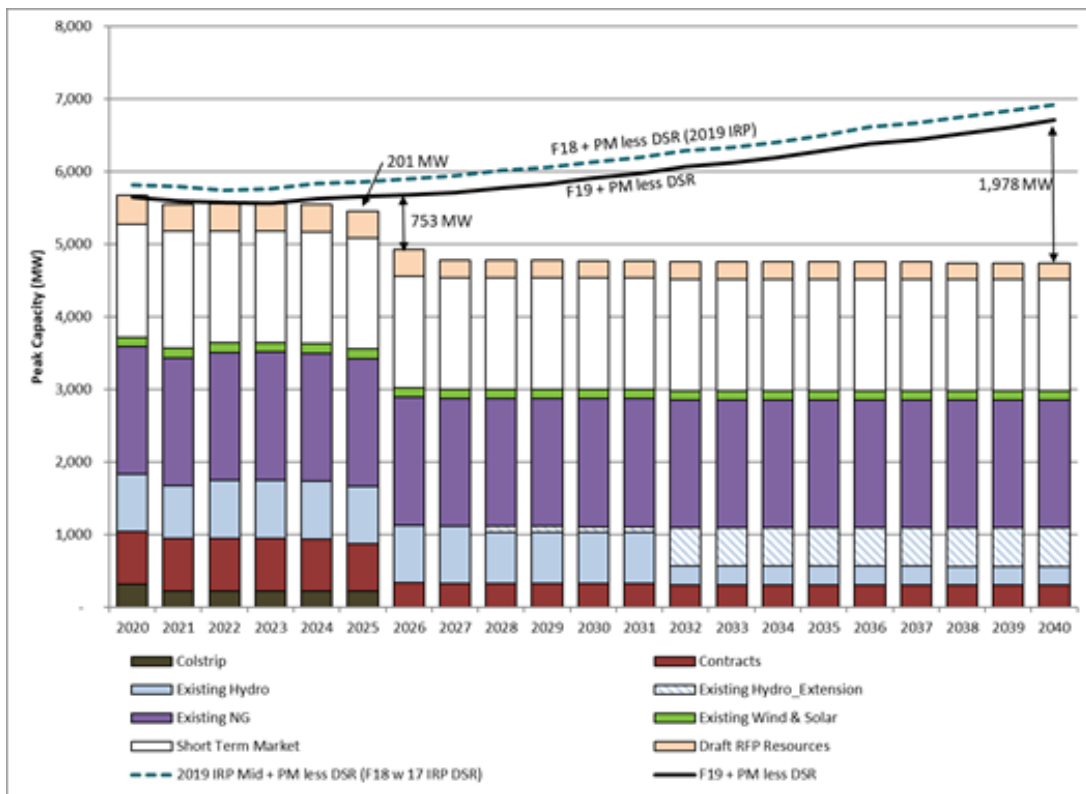
PSE intends to make a final decision on September 8 about whether to pursue approval of the RFPs or file a motion to withdraw the RFPs and will notify interested parties of its decision at that time. These RFPs are scheduled for consideration at the Commission’s open meeting on September 10, 2020. If the requests are withdrawn, PSE intends to integrate targeted demand response into a separate Targeted Demand Side Management (“TDSM”) RFP in September of this year.

**May 2020 Electric-Peak Capacity Need Forecast Filed in the Draft RFPs**

On May 4, 2020, 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. PSE’s demand forecast presented a modest need for 82 MW of new electric resources in 2024 that was expected to increase to 753 MW in 2026. Figure 1 presents the capacity need forecast included in the draft RFPs.

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**Figure 1. Capacity Need Forecast from IRP Progress Report**



Given the large need for new resources in 2026 (753 MW, shown by year in Table 1), PSE’s Demand Response and All-Source RFPs also established a preferred glide path (shown in Table 2) to help ensure that PSE would be able to fulfill its reliability obligations to meet growing customer demand and to replace resources expiring or retiring from its portfolio.

**Table 1. Peak Capacity Need by Year (Additions are Cumulative) from the Draft All-Source RFP and the Draft Demand Response RFP**

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Capacity need	(49)	(72)	(79)	(13)	106	753	935	997	1,048	1,133	1,198	1,310	1,362	1,442	1,534	1,630	1,683	1,788	1,867	1,978
Impact of pending Colstrip 4 sale	95	95	95	95	95															
Remaining capacity need	46	23	16	82	201	753	935	997	1,048	1,133	1,198	1,310	1,362	1,442	1,534	1,630	1,683	1,788	1,867	1,978

**Table 2. Preferred Glide Path for Resource Additions from the Draft All-Source RFP and the Draft Demand Response RFP**

Year needed	2024	2025	2026
Resource additions	200	200	353
Operating/Available by	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2025

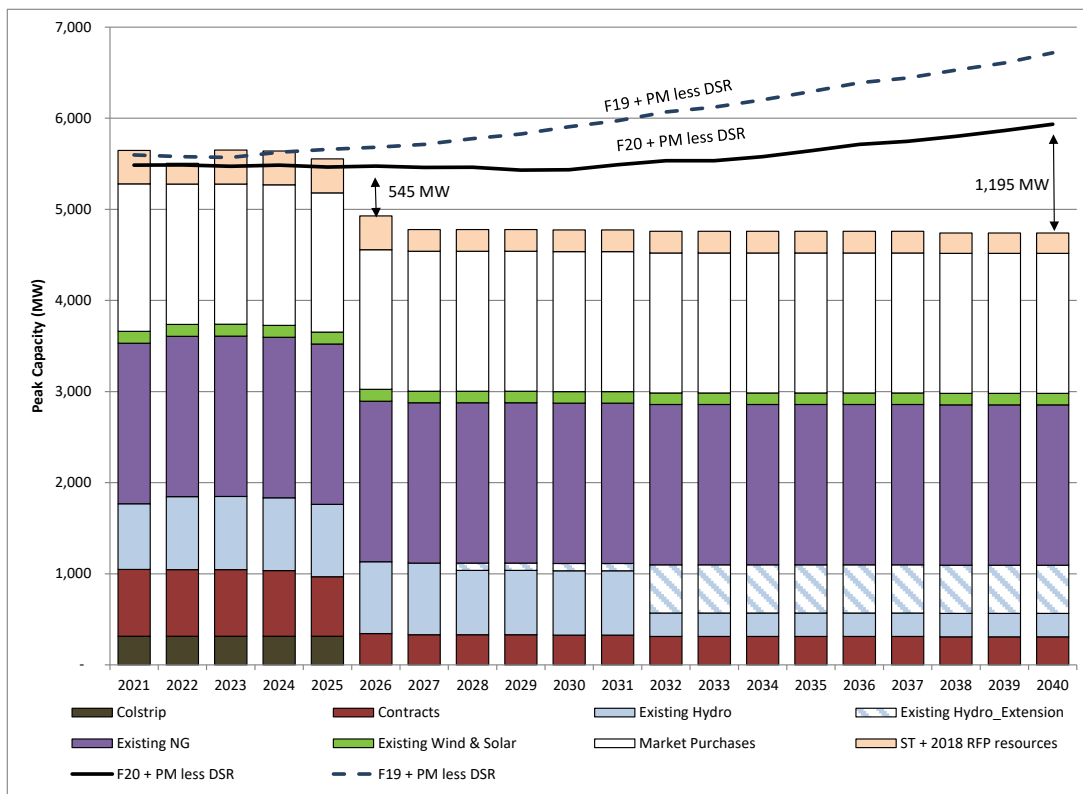
### August 2020 Updated Electric-Peak Capacity Need Forecast

At or around the end of July 2020, subsequent to the completion of the public comment period and near the end of the Commission deliberation period for dockets UE-200413 (Demand Response RFP) and UE-200414 (All-Source RFP), PSE completed the process to update its load forecast (the F2020 normal peak load forecast). On August 5, PSE filed a petition requesting a waiver of the original due date for a Commission decision to approve or suspend the draft RFPs, to allow more time for PSE to consider the impact of the new lower load forecast on the peak capacity need. The petition further requested that the RFPs be considered at the Commission’s open meeting on September 10, 2020. The Commission approved PSE’s petition requests on August 13.

PSE has since updated its electric-peak capacity need projection to include the F2020 normal peak load forecast, which reflects updated economic and demographic assumptions, the effects of the COVID-19 pandemic, and increased conservation from the 2019 Integrated Resource Planning (“IRP”) process. The updated need projection includes the 2018 RFP short list resources but 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.

As shown in Figure 2, PSE now projects a peak capacity need that is significantly lower than the peak capacity need presented in the draft RFPs.

**Figure 2. Updated electric-peak capacity need**



Whereas the draft RFPs filed in May were based on a projected capacity need of 753 MW in 2026, PSE now projects a more modest capacity need of 545 MW in 2026. Table 2 compares the need presented in the May 2020 draft filing with current projections.

**Table 2. Changes to the interim electric-peak capacity need with the updated F2020 load forecast**

Peak capacity need filed in May 2020 draft RFPs (F2019 load forecast)																					
Ln.	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	
1	Capacity need including 2018 RFP Resources	(49)	(72)	(79)	(13)	106	753	935	997	1,048	1,133	1,198	1,310	1,362	1,442	1,534	1,630	1,683	1,788	1,867	1,978
2	Impact of pending Colstrip 4 sale	95	95	95	95	95															
3	Remaining capacity need	46	23	16	82	201	753	935	997	1,048	1,133	1,198	1,310	1,362	1,442	1,534	1,630	1,683	1,788	1,867	1,978
Peak capacity need updated in August 2020 (F2020 load forecast)																					
Ln.	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	
4	Capacity need including 2018 RFP Resources	(162)	(18)	(177)	(155)	(89)	545	682	683	653	661	715	774	774	819	884	952	986	1,062	1,126	1,195
5	Impact of pending Colstrip 4 sale	95	95	95	95	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Remaining capacity need	(67)	77	(82)	(60)	6	545	682	683	653	661	715	774	774	819	884	952	986	1,062	1,126	1,195
Comparison of May 2020 and August 2020 peak capacity need forecasts																					
Ln.	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	
7	Capacity need delta (compares rows 1 and 4)	(113)	54	(98)	(142)	(195)	(207)	(253)	(314)	(396)	(472)	(483)	(535)	(588)	(623)	(650)	(678)	(697)	(726)	(741)	(783)
8	Impact of pending Colstrip 4 sale delta (compares rows 2 and 5)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Remaining capacity need delta (compares rows 3 and 7)	(113)	54	(98)	(142)	(195)	(207)	(253)	(314)	(396)	(472)	(483)	(535)	(588)	(623)	(650)	(678)	(697)	(726)	(741)	(783)

While the updated peak capacity need is overall materially lower than previously projected, there is one year that could present a modest need. As shown in Table 2, it is possible that in Q4 2022 there could be a short-term 77 MW need if the pending Colstrip Unit 4 sale is approved by the Commission. PSE is well prepared to manage this modest, temporary need through a short-term RFP or other short-term hedging solution if the sale were approved and completed.

**PSE’s Potential Next Steps**

PSE believes that it is in the public interest to consider withdrawing the 2020 Demand Response and All-Source RFPs for two reasons. First, PSE’s August 2020 updated electric-peak capacity need currently projects no 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 preferred glide path identified in Table 2 above 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) the 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 for the next five years. Table 3 outlines the expected next steps for PSE’s recommended path forward.

**Table 3. Schedule of Potential Next Steps**

Date	Next steps
August 26, 2020	PSE files update in dockets UE-200413 (Demand Response RFP) and UE-200414 (All-Source RFP) stating that PSE is considering withdrawal of the draft RFPs and encouraging comments from interested parties.
August 26, 2020 – September 4, 2020	Interested parties are encouraged to submit comments for consideration by PSE to <a href="mailto:AllSourceRFPmailbox@pse.com">AllSourceRFPmailbox@pse.com</a>
September 8, 2020	PSE decides whether to file a proposed motion to withdraw the draft RFPs. If PSE does elect to withdraw the draft RFPs, PSE will notify interested parties of the filing at that time.
September 10, 2020	Open meeting: Commission considers PSE’s motion to withdraw the draft RFPs (if PSE elects to file a motion to withdraw) or approval of the draft RFPs (if PSE elects not to file a motion to withdraw).
September 2020 (Date TBD)	PSE receives the Commission’s decision and notifies interested parties
September 2020	If PSE elect to withdraw, and the Commission approves the withdrawal of, the draft RFPs, PSE will integrate targeted demand response into the Targeted Demand Side Management (TDSM) RFP
April 2021	PSE files its 2021 Integrated Resource Plan
Summer 2021	PSE files new draft Demand Response and All-Source RFPs, if PSE’s 2021 IRP demonstrates a need for new resources

As shown in the table above, if the draft RFPs 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. Currently, PSE is planning two non-wires (or pipes) alternative pilots with scoping in PSE’s 2020-2021 Biennial Conservation Plan for four additional pilots, if those pilots prove to be viable. The two pilots anticipated to start in 2020 are located on Bainbridge Island and in Duvall.

Furthermore, if the 2021 IRP establishes a need for new capacity (physical reliability) or renewable energy (policy-driven) resources, PSE would file updated draft Demand Response and All-Source RFPs with the Commission next summer. PSE has a legal obligation to meet the requirements of the Energy Independence Act, Chapter 19.285 RCW and the Clean Energy Transformation Act

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(“CETA”), Chapter 19.405 RCW. The Energy Independence Act, also known as Washington state’s Renewable Portfolio Standards, requires PSE to acquire qualifying eligible renewable resources and/or renewable energy credits to meet 15 percent of its load. CETA sets statewide policy goals for the elimination of coal-fired resources by December 31, 2025, 80 percent carbon-free generation and overall carbon-neutral electricity by 2030, and 100 percent carbon-free electricity by 2045.

At this time, PSE is requesting comments from interested parties on the potential withdrawal of the draft Demand Response and All-Source RFPs. Interested parties may submit comments to [AllSourceRFPmailbox@pse.com](mailto:AllSourceRFPmailbox@pse.com) by September 4, 2020. PSE will file an update in the docket 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).

Sincerely,

*/s/ Jon Piliaris*

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