

Agenda Date: June 11, 2021
Item Number: D2

Docket: UE-210220
Company: Puget Sound Energy

Staff: Kyle Frankiewicz, Regulatory Analyst

Recommendation

Issue an order approving Puget Sound Energy's draft all-source request for proposals with the following conditions:

1. PSE must post workshop materials to its RFP website at least seven calendar days prior to each workshop. Materials for the effective load-carrying capability (ELCC) workshop must include an ELCC review and primer, described below.
2. PSE must make bidders and interested parties aware of any notices for public comment issued by the Commission to this docket by posting such notices to the RFP website and circulating notices to its RFP email list.
3. PSE must file with the Commission a response to comments filed pursuant to the above-referenced notice within six weeks of the notice's deadline. If revision of PSE's ELCC methodology or implementation in Phase 2 is warranted, PSE must file said revisions with the Commission.

In addition, Staff recommends that the Commission issue a notice for public comment on PSE's ELCC methodology, inputs, assumptions and use of stochastic analytical methods, and on PSE's consideration of the ELCC metric in its Phase 2 bid evaluation. This notice should have a deadline of one month after PSE's ELCC workshop.

Background

On May 4, 2020, Puget Sound Energy (PSE or Company), filed with the Washington Utilities and Transportation Commission (Commission) Draft Requests for Proposals (RFPs) regarding Demand Response Programs in Docket UE-200413, and regarding All Generation Sources in Docket UE-200414. After some delays and discussion of PSE's system needs, the 2020 RFP process concluded on October 15, 2020, with the Commission's issuance of Order 04 to both dockets. The order granted PSE's request to withdraw its 2020 RFPs and granted a waiver of the WAC requirement to issue an RFP, with two conditions: (1) that PSE work with Commission staff (Staff) and other stakeholders to address issues raised over the course of the two dockets, specifically identifying the proposal to use an independent evaluator (IE), and (2) that PSE file an all-source RFP and DR-focused RFP by April 1, 2021.

PSE filed a petition for approval of the Company's preferred IE for both RFPs on January 19, 2021, under Docket UE-210037. The Commission issued an order approving the Company's selection on January 28, 2021. On March 15, PSE filed a petition requesting two amendments to Order 04: (1) to expand the scope of the DR RFP to distributed energy resources (DER), and (2)

to extend the filing date for the DER-focused RFP to November 15, 2021. The Commission granted this petition. The requirement in Order 04 that PSE file an all-source RFP by April 1, 2021, remained. This requirement was fulfilled with the initial filing to this docket, PSE's draft 2021 Request for Proposals for All Generation Sources (Draft RFP).

On April 6, 2021, the Commission issued a Notice of Opportunity to Provide Written Comments (Notice). Consistent with WAC 480-107-017(2), the public participation schedule includes a 45-day period for public review and comments. Per WAC 480-107-017(4), the Commission "will approve, approve with conditions, or suspend the filed RFP... within seventy-five days after the utility files its RFP," which is June 15, 2021.

RFP Schedule

As revised on June 1, 2021, PSE's Draft RFP includes the following schedule.¹

Date	Milestone
June 30, 2021	PSE issues final All-Source RFP to bidders
July 2021	PSE hosts bidders' conference
August 2021	PSE hosts workshop to discuss ELCC assumptions
August or September 2021	PSE hosts workshop to review further analysis of market reliance reduction
September 1, 2021	Offers due to PSE
October 1, 2021	PSE posts to its RFP web site compliance report consistent with the requirements of WAC 480-107-035(5)
January 2022	PSE provides opportunity for bidders to revise/augment their Customer Benefit Plans by January 31, 2022, once PSE's CEIP is finalized
Q1 2022	PSE completes Phase 1 screening process and selects Phase 2 candidates, notifies bidders
Q2 2022	PSE selects All-Source RFP short list, notifies bidders
To follow	Post-proposal negotiations
To follow	PSE files with the WUTC compliance report consistent with the requirements of WAC 480-107-145(2)

Stakeholder Comments

The Commission issued a notice for public comment soliciting stakeholder feedback by May 17, 2021. Ten stakeholders filed comments, including Staff.² Seven commenters expressed doubts about PSE's ELCC methodology and results, especially as applied to the modeling of energy

¹ Docket UE-210220, Second revision to PSE's Draft RFP, Attachment D, at p. 23. Filed June 1, 2021. Schedule items prior to June 30, 2021, are not included.

² Commenters were Commission Staff; Washington State Attorney General's Office Public Counsel Unit (Public Counsel); Robert Briggs; Renewable Northwest (RNW); NW Energy Coalition (NWEC); Northwest and Intermountain Power Producers Coalition (NIPPC); Plus Power, LLC; Swan Lake and Goldendale; GB Energy Park Holdings, LLC; Oregon Building and Construction Trades Council and Washington Building Trades.

storage resources. Three commenters expressed concern about how large resources with long lead times are treated in the RFP. Staff summarizes the remaining comments in Appendix A.

Discussion

Since the filing of stakeholder comments, Staff worked with stakeholders and with PSE to better understand the issues raised by all parties. On June 1, 2021, PSE filed a second set of revisions to its Draft RFP, which attempted to address many of the items discussed in stakeholder comments. PSE included with its revised draft RFP a summary of public comments containing a response from the utility for each concern raised by each commentator, as well as an indication of whether the comment prompted revisions to PSE's RFP.

Recognition of PSE's collaborative posture

Staff commends PSE, especially the Company's RFP team, for preparing thoughtful responses to the questions and suggestions contained in the stakeholder comments. Further, Staff lauds PSE and its RFP team for the Company's willingness to adopt stakeholder feedback. In Staff's view, it seems that the Company's default position is to accept suggestions, if possible, rather than to reject suggestions unless necessary. The revised RFP addresses many concerns raised by Staff and other stakeholders.

*Recommendation: **approval, with conditions***

Though significant progress has been made from the Draft RFP filed on April 1, 2021, to the second revision filed on June 1, some important issues remain. Given the size and imminence of PSE's system need,³ Staff believes that it is in the public interest to move this resource acquisition process forward with all deliberate speed. Staff recommends addressing concerns that might otherwise necessitate delays by leveraging the Commission's authority to include conditions to its RFP approval.

Condition 1: *Workshop materials must be posted to PSE's RFP website at least seven calendar days prior to each workshop. Materials for the ELCC workshop must include a primer describing, in detail:*

- *PSE's ELCC methodology, inputs, assumptions, and stochastic analytical approaches used to generate ELCC estimates; and*
- *the ELCC metric's impact on Phase 2 bid evaluation and ranking.*

The Company intends to schedule the workshops based on stakeholder and presenter availability during the months described on the RFP Schedule. Circulating meeting materials well in advance of the workshops will allow interested parties to prepare for the workshop by building a foundation of knowledge and developing more detailed questions.⁴

³ PSE's description of need includes 1,506 MW of capacity by 2027 and 1,669 GWh of CETA-compliant energy by 2026. Docket UE-210220, Second revision to PSE's Draft RFP, Attachment D, at p. 8 and p. 6.

⁴ The Commission recognizes the value of advance access to meeting materials, at least in the IRP context, evidenced by [WAC 480-100-630\(2\)](#).

In the revised RFP, PSE has not provided a detailed description of its ELCC methodology that would allow interested parties to compare PSE's approach to other utilities. The resulting questions regarding the Company's ELCC results was a common theme in the public comments for PSE's draft and final Integrated Resource Plan (IRP),⁵ and in the comments filed to this docket. In addition, the Draft RFP lacks specificity regarding the weighting of quantitative factors. In discussions with stakeholders, Staff understands the remaining questions related to RFP scoring are as follows:

- a) How, exactly, does PSE derive its ELCC estimates? How does the Company use its data inputs and resource assumptions to perform its stochastic analysis?
- b) How can bidders structure their bids to maximize their score on this metric?
- c) How significant is a bid's ELCC valuation relative to other components of the bid?

Staff believes a written product provided prior to the workshop will allow more engagement and productive dialogue at the workshop, and will better inform stakeholders who are interested in this topic but may not be able to attend.

Condition 2 (and recommendation of Commission action): PSE must make bidders and interested parties aware of any notices for public comment issued by the Commission to this docket by posting such notices to the RFP website and circulating notices to its RFP email list.

This condition implies a nested recommendation that the Commission issue a notice soliciting comments on the topics discussed in PSE's ELCC workshop. The comments should be filed to this docket to increase transparency and keep the Commission informed on this matter. The timing of this notice will depend on the date of the workshop, so Staff recommends that the Commission's notice set a deadline of one month after the ELCC workshop.

Condition 3: PSE must file a response to comments filed pursuant to the above-referenced notice. If, in the course of PSE's review of comments received, PSE agrees that some changes to its ELCC methodology, inputs, assumptions or stochastic approaches are warranted, PSE must file a revision to its methodology as described, in detail, in the ELCC primer required in Condition 1. Similarly, if PSE finds that a change to its implementation of the ELCC metric in Phase 2 is warranted, PSE will file such revisions to its RFP with the Commission. This summary of comments and Company responses must be filed within six weeks of the deadline for the Commission's notice.

Stakeholders and prospective bidders have expressed concern regarding PSE's calculation and use of the ELCC metric in bid evaluation and ranking. Staff understands that many are supportive of the workshops, but are concerned that the primer and workshops, by themselves, do not necessarily require PSE to consider feedback or include any ELCC-related improvements as a part of the Phase 2 bid evaluation process. Staff's recommended conditions would build a mechanism for thorough third-party review of PSE's ELCC methodology, inputs, and assumptions, and would create an opportunity for PSE to further hone its bid evaluation

⁵ See Dockets UE-200304 and UG-200305. Comments related to the draft IRP were filed in and around February 5, 2021; comments related to the final IRP were filed in and around May 6, 2021.

approach, with Commission review on an as-needed basis. This condition establishes an expectation that PSE should consider all suggestions for improvement, and creates an opportunity to adopt any improvements in a way that is transparent and timely.

Capacity credit for renewable bids interconnecting at the Mid-C transmission hub

PSE responded to Renewable Northwest's (RNW) challenge to a cost adder applied to bids that would use PSE's firm transmission rights, decreasing PSE's optionality and revenue gained from re-marketing those rights. PSE proposed developing an opportunity cost methodology to be presented to prospective bidders at the bidder's conference.⁶ Staff is exploring this topic with the Company, the independent evaluator and stakeholders.

Caveat on meaning of approval

The Commission's approval of this RFP should not be understood as an acceptance of our agreement with all facets of the filing. For example, in Staff's view, PSE's demonstration of need related to the Company's efforts to reduce market reliance is not substantiated in a way that garners an unqualified endorsement. However, even if the precise details of the Company's need for capacity and CETA-compliant energy are debatable, Staff believes that the Company's description of system need is reasonable, and that the scale, significance, and urgency of these needs are well-supported. Staff expects that the Company will continue to revisit its understanding of its system need throughout the RFP process.

Conclusion

Staff recommends that the Commission issue an order approving Puget Sound Energy's Draft RFP, subject to the conditions described above.

⁶ Docket UE-210220, Second revision to PSE's Draft RFP, Attachment A, at p. 17. "...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."