

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

PUGET SOUND ENERGY

Petitioner,

For an Order Approving Proposed
Request for Proposals

DOCKET UE-210220

ORDER 01

APPROVING REVISED DRAFT ALL-
SOURCE REQUEST FOR
PROPOSALS SUBJECT TO
CONDITIONS

BACKGROUND

- 1 On October 15, 2020, in Dockets UE-200413 and UG-200414, the Washington Utilities and Transportation Commission (Commission) issued Order 04 Granting Motion for Withdrawal: Extending Exemptions (Order 04).
- 2 In Order 04, the Commission ruled on the request from Puget Sound Energy (PSE or Company) to withdraw its Draft All-Source and Demand Response RFPs filed earlier in the same dockets. In short, the Commission granted the Company's request to withdraw its Draft All-Source and Demand Response RFPs filed several months earlier on May 4, 2020, and ordered the Company to file new Draft RFPs in a new docket.¹ The Commission ordered PSE to work collaboratively with Commission staff (Staff) and other stakeholders in the first quarter of 2021 to address comments submitted regarding the Company's draft Request for Proposals (RFPs), particularly the proposal to use an independent evaluator (IE), and to revise the RFPs as appropriate. The Commission therefore ordered PSE to submit for approval, in new dockets, proposed all-source and system-wide electric demand response program delivery RFPs and accompanying documentation no later than April 1, 2021.
- 3 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

¹ The full procedural history of Dockets UE-200413 and UG-200414 will not be repeated here.

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.

4 On April 1, 2021, PSE filed its draft 2021 All-Source Request for Proposals for Renewable and Peak Capacity Resources (Draft All-Source RFP) for approval by the Commission in this docket.

5 Citing PSE's 2021 Integrated Resource Plan (IRP), filed the same day, the Company points to a need for additional energy and capacity. The Company submits that the total need for clean energy resources eligible under the Clean Energy Transformation Act (CETA)² is 1,942 GWh by 2026 and grows to 5,369 GWh by 2030. In terms of capacity, PSE's demand forecast demonstrates a need for 369 MW of new electric resources in 2026 that is expected to increase to 527 MW in 2027.

6 On May 10, 2021, PSE filed an updated Draft 2021 All-Source RFP (Updated Draft All-Source RFP). The Updated Draft All-Source RFP reflects changes to PSE's capacity and renewable resource needs following the acquisition of energy from hydroelectric projects owned by Public Utility District No. 1 of Chelan County, Washington, and Public Utility District No. 1 of Douglas County, Washington.

7 On May 17, 2021, the Commission issued a notice for public comment soliciting stakeholder feedback. The Commission received comments from 10 stakeholders, including Staff, the Public Counsel Unit of the Attorney General's Office, NW Energy Coalition (NVEC), and the Northwest and Intermountain Power Producers Coalition (NIPPC).

8 On June 1, 2021, PSE filed revisions to its Draft All-Source RFP, showing revisions made to account for stakeholder comments.

9 On June 8, 2021, PSE filed a revised Draft All-Source RFP, (Revised Draft All-Source RFP), showing further revisions to account for stakeholder comments.

10 Staff has reviewed the Company's filings in this docket, including the Revised Draft All-Source RFP, and recommends that the Commission approve the Revised Draft All-Source RFP subject to conditions.

² See Laws of 2019, ch. 288.

- 11 As an overall matter, Staff commends the Company for preparing thoughtful responses to stakeholder comments and accepting several stakeholders' suggestions. While the Company has made significant progress, Staff recommends that the Commission approve the RFP with certain conditions so that the Company may move forward with necessary resource acquisitions in an expeditious manner. Staff submits that the scale, significance, and urgency of the Company's system needs are well-documented.
- 12 Specifically, Staff recommends the Commission adopt 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 ELCC workshop must include an ELCC review and primer.
 2. PSE must circulate any Commission notices filed to this docket via the Company's website and RFP email list.
 3. PSE must file a response to comments filed pursuant to the Commission's notice within six weeks of the notice's deadline. If PSE agrees that a revision of the ELCC methodology or implementation in Phase 2 is warranted, PSE must file said revisions with the Commission and notify the Commission of the change in Phase 2 implementation.
- 13 Furthermore, Staff recommends that the Commission issue a notice for public comment on certain aspects of PSE's Revised Draft All-Source RFP, which will allow the public to submit written comments in this docket. The notice should solicit public comments on PSE's ELCC methodology, inputs, assumptions and use of stochastic analytical methods. The notice should also solicit comment on PSE's use and consideration of the ELCC metric in its Phase 2 bid evaluation. This notice should provide a deadline for public comments set one month after PSE's ELCC workshop. Staff submits that requesting public comments directly in this docket will increase transparency and keep the Commission better informed on this issue.
- 14 Representatives from Staff, the Company, NIPPC, NWECA, Renewable Northwest, and Rye Renewables provided comments and responded to questions from the commissioners during the June 11, 2021, open meeting.

DISCUSSION

- 15 When the utility's IRP demonstrates a resource need within four years, the utility must issue an all-source RFP.³ The utility must file the all-source RFP and accompanying documentation with the Commission no later than 120 days after the utility files its final IRP.⁴ The Commission will then approve, approve with conditions, or suspend the filed RFP within 75 days after it is filed.⁵
- 16 All-source RFPs must allow bids from different types of resources that may fill all or part of the resource need.⁶ RFPs must define the utility's resource need, request information related to a bid's impacts on customer benefits, explain the specific ranking procedures and assumptions used to evaluate bids, and set forth minimum bidder requirements.⁷ The utility must also conduct outreach and provide proper notice of its all-source RFP.⁸
- 17 PSE's Revised Draft All-Source RFP meets most of these requirements. Among other points, the Company's Revised Draft All-Source RFP documents that the size and operational attributes of the resource need requested are consistent with the range of resource needs identified in the Company's IRP.⁹ The Revised Draft All-Source RFP specifies a sufficiently detailed timeline for each stage of the RFP process,¹⁰ and sets forth minimum bidder requirements.¹¹ The Revised Draft All-Source RFP therefore satisfies most of the requirements of WAC 480-107-025. However, Staff and other stakeholders raise important questions and request additional information about certain elements of the RFP, including the addition of a cost adder to reflect the possible return on power purchase agreements (PPAs), the bases for PSE's capacity need, assumptions, and modelling for PSE's ELCC metrics, assumptions related to the reduction of PSE's reliance on market purchases, and the issue of a proposed capacity credit for renewable bids interconnecting at the Mid-C transmission hub. The extensive discussion of these and

³ WAC 480-107-009(2).

⁴ WAC 480-107-017(1)

⁵ WAC 480-107-017(4).

⁶ WAC 480-107-009(1).

⁷ *See generally* WAC 480-107-025.

⁸ WAC 480-107-015.

⁹ *See* Revised Draft All-Source RFP pp. 1-7.

¹⁰ *Id.* at 21-29.

¹¹ *Id.* at 30-35, 40.

other issues during the meeting demonstrates the significance of the various aspects of the RFP on bidder responses to the RFP and on the Company's selection of resources.

- 18 Staff's recommendation to approve PSE's Revised Draft All-Source RFP subject to conditions requiring additional stakeholder engagement has great merit. The Commission's rules contemplate that the utility will set forth in its RFP a detailed process for stakeholder input. Pursuant to WAC 480-107-025(5), the "RFP must specify a detailed timeline for each stage of the RFP process including solicitation, ranking, and selection, as well as the utility's schedule of planned informational activities and contact information for the RFP." The Commission may impose additional requirements on an electric utility's purchase of resources under appropriate circumstances.¹²
- 19 In this instance, we agree with Staff's recommended conditions, which are consistent with the provisions of WAC 480-107-025(5), and require the RFP to provide a detailed timeline of planned informational activities.
- 20 Staff's recommended conditions are appropriate and warranted under the circumstances. By recommending measures such as the advance posting of workshop materials and requiring the Company to respond to stakeholder comments, Staff appropriately seeks to enhance stakeholder participation in these important and complex technical issues.
- 21 In its recommendation, Staff expresses concerns about several aspects of PSE's proposed RFP, including substantiating the Company's need for reducing market reliance, but states that the Company's description of system need is reasonable, and that the scale, significance, and urgency of these approval needs are well-supported. While we recognize that there may continue to be concerns about aspects of the Company's RFP, we concur that the scale, significance and urgency of need is clear and note that approval of the Company's RFP is not preapproval of specific resource acquisitions. The Commission will continue to review the Company's performance under the RFP, as well as how the assumptions underlying the RFP impact modeling and assumptions in other plans and filings before the Commission, including future IRPs and clean energy implementation plans.
- 22 After considering PSE's presentation and the comments from stakeholders at the June 11, 2021, recessed open meeting, we find it appropriate to also require that PSE remove the provision requiring a cost adder for a rate of return for PPAs during the RFP evaluation process. Pursuant to RCW 80.28.410(2)(b), the utility may account for and defer the costs

¹² WAC 480-107-004(2).

of a PPA, including a rate of return for the duration of the PPA “no less than the authorized cost of debt and no greater than the authorized rate of return of the electrical company . . .” The Commission has not established norms and expectations regarding possible rates of return on PPAs and finds that the inclusion of these possible costs in the RFP bid evaluation is overly presumptive of future Commission decisions. PSE should remove this rate of return during its ranking and evaluation of bids during this RFP process. These costs may, however, be presented to the Commission for recovery in a future proceeding.¹³

FINDINGS AND CONCLUSIONS

- 23 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including electric companies.
- 24 (2) PSE is an electric company and a public service company subject to Commission jurisdiction.
- 25 (3) WAC 480-107-015 requires companies to file proposed RFPs for capacity resource needs identified in their integrated resource plans.
- 26 (4) WAC 480-107-015(3)(b) states that the Commission will approve or suspend a utility’s RFP within 30 days after the close of the comment period and 75 days after the initial filing of the RFP.
- 27 (5) Under WAC 480-107-004(2), the Commission may impose additional requirements on an electric utility’s acquisition of resources under appropriate circumstances.
- 28 (6) On October 15, 2020, in Dockets UE-200413 and UG-200414, the Commission issued Order 04, requiring PSE to file its Draft All-Source RFP in a new docket by April 1, 2021.

¹³ Commissioner Balasbas does not join in this paragraph of the Commission’s order, without additional comment, but joins in the remainder of the decision.

- 29 (7) On April 1, 2021, PSE filed its Draft All-Source RFP for approval by the Commission.
- 30 (8) On May 10, 2021, PSE filed its Updated Draft All-Source RFP, reflecting the acquisition of hydroelectric resources.
- 31 (9) On June 1, 2021, PSE filed its Revised Draft All-Source RFP, showing revisions made to account for stakeholder comments.
- 32 (10) This matter came before the Commission at its recessed open meeting on June 11, 2021.
- 33 (11) Staff recommends approving the Company's Revised Draft All-Source RFP subject to conditions. These conditions include: (1) PSE must post workshop materials to its RFP website at least seven calendar days prior to each workshop and that materials for the ELCC workshop must include an ELCC review and primer; (2) PSE must circulate any Commission notices filed to this docket via the Company's website and email list; and (3) PSE must file a response to comments filed pursuant to the above-referenced notice within six weeks of the notice's deadline.
- 34 (12) PSE must remove from the Revised Draft All-Source RFP the requirement for a cost adder for a return on PPAs.
- 35 (13) After reviewing PSE's Revised Draft All-Source RFP and giving due consideration to all relevant matters and for good cause shown, the Commission finds PSE's Revised Draft All-Source RFP should be approved, subject to the conditions recommended by Staff, and required in this Order.

ORDER

THE COMMISSION ORDERS:

- 36 (1) Puget Sound Energy's Revised Draft All-Source RFP is approved, subjected to the conditions set forth in paragraphs 12, 13, 19, and 22 of this Order.
- 37 (2) The Commission retains jurisdiction over the subject matter and Puget Sound Energy to effectuate the provisions of this Order.

Dated at Lacey, Washington, and effective June 14, 2021.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chair

ANN E. RENDAHL, Commissioner

JAY M. BALASBAS, Commissioner