PSE KITSAP NON-WIRES ALTERNATIVES RFP CLOSEOUT REPORT

UE-240085, prepared pursuant to WAC 480-107-145(2)

April 23, 2025

PUBLIC VERSION

PUGET SOUND ENERGY

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1. Background on the Kitsap Non-Wires Alternatives Request for Proposals

Puget Sound Energy ("PSE") issued a Kitsap Non-wires Alternatives ("NWA") Request for Proposals ("RFP") on February 9, 2024 as a voluntary RFP.[1] PSE has filed documents for the RFP in Washington Utilities and Transportation Commission ("UTC" or "Commission") Docket UE-240085. The Kitsap NWA RFP sought Clean Energy Transformation Act ("CETA") compliant transmission- and distribution-sited dispatchable resources for meeting transmission capacity needs in PSE's Kitsap County, Washington service area. Bids were due on May 24, 2024. Additional information about the Kitsap NWA RFP can be found on PSE's Kitsap NWA RFP webpage at www.pse.com/en/pages/energy-supply/acquiring-energy/Kitsap-Non-wires-Alternatives-RFP.

[1] Pursuant to Washington Administrative Code ("WAC") 480-107-009(3), whenever a utility chooses to issue an RFP to meet resource needs outside of the timing of its required RFP, it may issue an all-source RFP or a targeted RFP. Voluntary RFPs are not subject to Commission approval.

2. Bid information required by WAC 480-107-145(2)

Washington Administrative Code ("WAC") 480-107-145(2) requires PSE to file a summary report ("Closeout Report") within 90 days of the conclusion of any request for proposal ("RFP") process. The Closeout Report must include, at a minimum:

(a) Specific reasons for rejecting any bid under WAC 480-107-035(6);
(b) The number of bids received, categorized by technology type;
(c) The size of the bids received, categorized by technology type;
(d) The median and average bid price, categorized by technology type and sufficiently general to limit the need for confidential designation whenever possible;
(e) The number of bids received by location, including locations designated as highly impacted communities;
(f) The number of bids received and accepted by bidder type, including women-, minority-, disabled-, or veteran-owned businesses;
(g) The number of bids received, categorized by ownership structures; and
(h) The number of bids complying with the labor standards identified in RCW 82.08.962 and 82.12.962.

PSE provides this information below.

Specific reasons for rejecting any bid under WAC 480-107-035(6)

PSE rejected one proposal because it failed to meet the minimum requirements of the Kitsap NWA RFP. The rejected proposal utilized a parcel of land at an existing PSE substation site that is unavailable due to future substation expansion.

The number and size of bids received, categorized by technology type

PSE received 44 proposals located at 12 unique sites from six unique bidders. Table 1 summarizes the number and size, measured in megawatts ("MW"), of the proposals received, categorized by technology type.

SECTION 2. INFORMATION REQUIRED BY WAC 480-107-145(2)

Table 1. Number and size of proposals

Resource	Technology type	Number of proposals	Size range (nameplate capacity, approximate)
Storage	Battery energy storage system ("BESS")	43	5 MW – 200 MW
Other	CETA-compliant dispatchable resource	1	219 MW

Standalone battery energy storage systems ("BESS") made up all but one of the proposals received. The other proposal contained an offer for a CETA-compliant dispatchable resource. Proposals varied in capacity, financial term, start and/or end dates, pricing structure, system delivery point, combination of co-located resources, and other proposal elements. Kitsap NWA RFP bidders were allowed to submit more than one proposal, and there was no cap on the number that could be submitted. Three of the bidders submitted multiple proposals, in which one or more of the financial terms or features varied.

As stated in the RFP, if there were no individual proposals that could meet the full capacity need, PSE would consider combining multiple proposals, or supplementing proposals with specific wires upgrades, in order to develop a solution for Kitsap County's transmission capacity needs. Bidders were also asked if their resources could be utilized for secondary grid benefits during lighter load periods. All proposals received agreed to secondary grid benefit usage.

The median and average bid price, categorized by technology type and sufficiently general to limit the need for confidential designation whenever possible

Table 2 lists the median and average prices of all proposals received, categorized by technology type. The pricing for the dispatchable resources is marked confidential as it pertains to a single bid.

Table 2. Proposals by median and average price

Resource	Technology type	Measurement	Price $/kW
Storage	BESS	Average	$ 296
		Median	$ 289
Other	CETA-compliant dispatchable resource	Average	[redacted]
		Median	[redacted]

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SECTION 2. INFORMATION REQUIRED BY WAC 480-107-145(2)

The number of bids received by location, including locations designated as highly impacted communities

Table 3 indicates the location of proposals received, categorized by technology type. All proposals were located in Kitsap County, Washington, as was required by the RFP. Eight proposals were located in a community designated as highly impacted and/or vulnerable. These proposals are enclosed in parentheses in
Table 3.

Table 3. Proposals by location

Resource	Technology type	Location
		Kitsap County, WA
Storage	BESS	43 (8)
Other	CETA-compliant dispatchable resource	1

The number of bids received and accepted by bidder type, including women-, minority-, disabled-, or veteran-owned businesses

Of all the proposals received, one was from a veteran-owned business. PSE did not receive any proposals from women-, minority-, or disabled-owned businesses.

The number of bids received, categorized by ownership structures

As shown in **Error! Reference source not found.**, the majority of proposals (77%) offered a power purchase agreement ("PPA") only, while six proposals (14%) offered an ownership option only. Four proposals offered both PPA and ownership options. All proposed resources were in some stage of development.

Table 4. Proposals by ownership structure

Resource	Type	# of proposals	Ownership structure			Operating status	
			PPA only	Ownership only	Both offered	In development	In operation
Storage	BESS	43	33	6	4	43	0
Other	CETA-compliant dispatchable resource	1	1	0	0	1	0
Total		**44**	**34**	**6**	**4**	**44**	**0**

SECTION 2. INFORMATION REQUIRED BY WAC 480-107-145(2)

The number of bids complying with the labor standards identified in RCW 82.08.962 and 82.12.962

Of the six unique bidders, five committed to adhering to RCW 82.08.962 and 82.12.962. The one bidder that did not commit stated that RCW 82.08.962 and 82.12.962 were not applicable.

3. Proposal evaluation and results

Evaluation process

PSE followed a structured evaluation process designed to screen and rank individual proposals based on costs, risks, and benefits. These included resource cost, market-volatility risks, demand-side uncertainties and benefits, resource dispatchability, effects on system operation, customer benefits, credit and financial risks to the utility, the risks to ratepayers, public policy, and Washington state and federal government requirements. See Figure 1**Error! Reference source not found.** below for a summary of PSE's evaluation process.

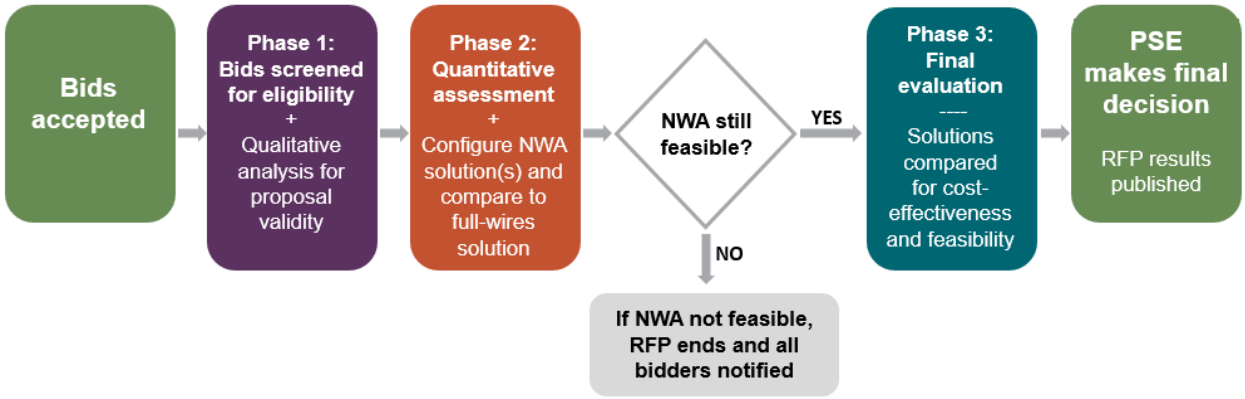

Figure 1. Kitsap NWA RFP evaluation process flow

PSE received a total of 44 proposals by the RFP submittal deadline of May 24, 2024. The PSE Kitsap NWA acquisition team reviewed the proposals for accuracy and reached out to bidders for data corrections and/or missing information before starting the evaluation. During Phase 1 of the evaluation process, each of the 44 proposals were reviewed for eligibility and scored against the qualitative assessment evaluation criteria. All proposals except one were determined eligible and proceeded to Phase 2 of the evaluation process. PSE concluded Phase 1 and notified bidders of the shortlist selection for Phase 2, quantitative assessment, in early September 2024.

Since no individual NWA proposal fully met PSE's transmission capacity needs in Kitsap County, PSE developed solutions by combining NWA proposals to create either full non-wires solutions or partial non-wires ("hybrid") solutions that pair NWA proposals with wires upgrades. Figure 4-2 of the Independent Evaluator ("IE") report
*2*describes the process PSE followed to develop full non-wires and hybrid solutions.

*2***Error! Reference source not found.Error! Reference source not found.**In November 2024, after extensive analysis during the Phase 2 quantitative assessment, PSE concluded that NWA solutions were not cost-effective for meeting Kitsap County's transmission capacity needs when compared to PSE's wires solution. All bidders were notified of this conclusion in January 2025, and the RFP process came to an end. On January 23, 2025, PSE filed a final the IE report prepared by PA Consulting, in Docket UE-240085.

Evaluation results

PSE's priority for the Kitsap NWA RFP was to develop a robust and cost-effective solution for Kitsap County's transmission capacity needs by investigating non-wires alternatives. Proposed NWA solutions needed to be capable of meeting the timeline of Kitsap County's transmission capacity needs – which may have also included the time required for interconnection studies, load requests, and FERC approval.

- **Error! Reference source not found.**Costs of full non-wires solutions ranged from approximately $1.3 billion to $1.5 billion, or approximately five to six times the cost of PSE's wires solution.
- PSE evaluated hybrid solutions with different types of wires upgrades (bulk wires and/or network wires)*5***Error! Reference source not found.**. Including a bulk or network wires upgrade in the solution reduced the respective bulk or network capacity need, requiring fewer non-wires resources and lowering the solution cost. The hybrid solution costs ranged from $0.7 billion to $1.5 billion. The lowest cost hybrid solution is nearly three times the cost of PSE's wires solution.

PSE concluded that neither full non-wires nor hybrid solutions were cost-effective for meeting Kitsap County's transmission capacity needs when compared with PSE's wires solution.*56789*