BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION OF PUGET SOUND ENERGY, ALBERTA INVESTMENT MANAGEMENT CORPORATION, BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION, OMERS ADMINISTRATION CORPORATION, AND PGGM VERMOGENSBEHEER B.V. FOR AN ORDER AUTHORIZING PROPOSED SALES OF INDIRECT INTERESTS IN PUGET SOUND ENERGY	**Docket U-180680**

RESPONSE OF PUGET SOUND ENERGY TO THE COMMENTS OF RICHARD LAUCKHART REGARDING THE ENERGIZE EASTSIDE PROJECT

1. Puget Sound Energy ("PSE") submits these comments in response to the comments submitted by Mr. Richard Lauckhart on September 28, 2018, in Docket U-180680 regarding PSE's Energize Eastside project. Mr. Lauckhart's arguments related to a long-standing disagreement with respect to the need for and process used by PSE for the Energize Eastside project. Opponents of the Energize Eastside project have challenged this project in a number of venues, including a challenge before the Federal Energy Regulatory Commission that was summarily dismissed because such challenges amounted to nothing more than

> vague allegations that Respondents [which included PSE] have violated Order Nos. 890, 1000, and 2000, as well as the Puget Sound Tariff and Planning Agreement, without citing any specific provision of those orders, the Tariff, or the Planning Agreement

> that Respondents have allegedly violated. Thus, Complainants have not identified the "applicable statutory standards or regulatory requirements," that Respondents have allegedly violated. We cannot conclude that the Complaint has sufficiently identified the behavior that allegedly violates the applicable standards or requirements, or that it has sufficiently explained how there is such a violation, when Complainants have not even identified the applicable standards or requirements.[1]

In short, the comments submitted by Mr. Lauckhart reflect yet again another challenge to a PSE infrastructure project because prior challenges have failed to receive any traction.

2. Notwithstanding assertions made in the comments of Mr. Lauckhart otherwise, these challenges have no relevance to existing owners of Puget Holdings LLC or the proposed transactions submitted for approval in Docket U-180680. PSE will not seek to burden the Commission's record in this proceeding by refuting each statement made in the comments submitted by Mr. Lauckhart because such a refutation is unnecessary to assist the Commission in making its determination in this proceeding. In Part I below, PSE provides general background regarding the Energize Eastside project and the process undertaken by PSE with respect to such project, and PSE has previously provided the Commission with a discussion of the details regarding the Energize Eastside

[1] *Coalition of Eastside Neighborhoods for Sensible Energy, Citizens for Sane Eastside Energy, Larry G. Johnson, Glenna F. White, and Steven D. O'Donnell v. Puget Sound Energy, Seattle City Light, Bonneville Power Administration, and ColumbiaGrid*, 153 FERC ¶ 61,076 at P 59 (2015).

project in Chapter 8 of the 2017 PSE Integrated Resource Plan.[2] In Part II below, PSE addresses each of the seven conditions proposed by Mr. Lauckhart (each, a "Lauckhart Proposed Condition") in his comments submitted on September 28, 2018.

I. BACKGROUND REGARDING THE ENERGIZE EASTSIDE PROJECT

3. The Energize Eastside project will build a new substation and upgrade approximately 16 miles of transmission lines within the existing corridor from Redmond, Washington, to Renton, Washington. The last major upgrade to the backbone of the Eastside's electric grid was more than 50 years ago in the 1960s. Since then, the population of the Eastside has grown eight-fold, and the economy of the Eastside relies on reliable power in ways that it did not 50 years ago. This growth will only continue. Projections by the Puget Sound Regional Council show the Eastside population will likely grow by another third and employment will grow by more than three-quarters over the next 25 years. Combined with continued electric conservation, the Energize Eastside project will keep the lights on for homes and businesses in our Eastside communities for years to come.

4. The Energize Eastside project will provide the necessary infrastructure to meet federally-mandated requirements without having to plan for rotating blackouts and without having a public discussion of the need to plan for blackouts. Studies project that growth on the Eastside could cause demand for

[2] Puget Sound Energy, *2017 PSE Integrated Resource Plan, Chapter 8 (Delivery Infrastructure Planning* at 8-30 through 8-53 (2017), available at https://www.pse.com/-/media/PDFs/001-Energy-Supply/001-Resource-Planning/IRP17_AppL_071817b.pdf?la=en&revision=86b2e3dd-1a25-44a6-861b-15091ef052ce&hash=AD338069E66FF08AD1D6B00E583A7C88E6C72D70 \.

electricity to exceed the capacity of the backbone of the Eastside's transmission system. Federal regulations require PSE to have sufficient infrastructure to meet foreseeable demand requirements for contingencies (outage scenarios) that include the loss of any two equipment elements, or plan for intentional rolling blackouts to customers. PSE's studies show that if no action is taken to upgrade the backbone of the Eastside's transmission system, PSE may have to use additional Corrective Action Plans that include plans for intentional rolling blackouts to meet federal requirements. This could impact more than 130,000 customers, at a cost of tens of millions of dollars to the local economy. No responsible utility — or community, particularly those that value sophisticated technology industries — wants to use intentional rolling blackouts as a federal compliance strategy. That certainly is not PSE's desire.

5. Multiple independent studies have made it clear that we need to upgrade the Eastside's electric infrastructure now to accommodate local population and economic growth and avoid planning for potential power outages in the very near future. The independent studies for the Energize Eastside project include the following:

- a study issued by Exponent in 2012 and commissioned by the City of Bellevue, Washington,[3] which determined that, as at a minimum, PSE upgrade the existing 115 kV lines to 230 kV lines by 2022;[4]

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[3] Exponent, *Electrical Reliability Study Phase 2 Report* (Feb. 2012), available at http://www.energizeeastsideeis.org/uploads/4/7/3/1/47314045/final_electrical_reliability_study_phase_ii_report_2012.pdf.

[4] *Id*. at 123.

- a joint study performed by PSE and Quanta Technology in 2013,[5] which determined that PSE has a transmission supply need on the Eastside of Lake Washington which impacts PSE customers and communities in and around Kirkland, Redmond, Bellevue, and Newcastle along with Clyde Hill, Medina, and Mercer Island;[6]

- a supplemental joint study performed by PSE and Quanta Technology in 2015,[7] which continued to determine that PSE had a transmission capacity deficiency on the Eastside that impacts PSE customers and communities in and around Kirkland, Redmond, Bellevue, Issaquah, Newcastle, and Renton along with Clyde Hill, Medina, and Mercer Island;[8]

- an independent technical analysis of the Energize Eastside project issued by Utility System Efficiencies, Inc. in 2015 and commissioned by the City of Bellevue, Washington,[9] which determined that reduced loading still resulted in overloaded transmission elements that drive the need for the Energize Eastside project to address Eastside system reliability issues;[10] and

- a study by Stantec Consulting Services Inc. in 2015 on behalf of the Energize Eastside Environmental Impact State Team for the City of Bellevue,[11] which determined that the Eastside 230 -115 kV system as it exists cannot supply the projected load under all circumstances, with the required levels of reliability that the community and neighboring

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5 Puget Sound Energy, Inc & Quanta Technology, *Eastside Needs Assessment Report Transmission System King County* (Oct. 2013), available at https://energizeeastside2.blob.core.windows.net/media/Default/Library/Reports/Eastside_Needs_Assessment_Final_Draft_10-31-2013v2REDACTEDR1.pdf.

6 *Id*. at 11.

7 Puget Sound Energy, Inc & Quanta Technology, *Supplemental Eastside Needs Assessment Report Transmission System King County* (Apr. 2015), available at https://energizeeastside2.blob.core.windows.net/media/Default/Library/Reports/SupplementalNeedsAssessmentReport_Redacted_April2015.pdf.

8 *Id*. at 21.

9 Utility System Efficiencies, Inc., *Independent Technical Analysis of Energize Eastside for the City of Bellevue, WA* (Apr. 28, 2015), available at http://www.energizeeastsideeis.org/uploads/4/7/3/1/47314045/cob_independent_technical_analysis_1-3.pdf.

10 *Id*. at 58.

11 Stantec Consulting Services Inc., *Energize Eastside EIS Team Review of Project Need* (July 31, 2015), available at http://www.energizeeastsideeis.org/uploads/4/7/3/1/47314045/stantec_review_memo_eastside_needs_assessment_report.pdf

> utilities expect, and that the Energize Eastside project is designed to bring the needed infrastructure to supply the local need.[12]

6. PSE has looked at many ways to solve the Eastside's electrical problem. Early on in the planning process, PSE studied whether the Eastside's electrical needs could be addressed with other solutions rather than building new infrastructure. Some have suggested that PSE use batteries to store power for peak use, increase use of alternative power, build a new natural gas generation plant in Bellevue, or simply have its customers conserve more. PSE considered using batteries to store energy, but this technology has not been used for the type and scale of problem facing the Eastside. Despite the progress made by the energy storage industry in recent years, an updated analysis concluded that battery storage is still not a practical solution to meet the Eastside transmission system capacity deficiency.

7. PSE also investigated increased use of alternative power as a possible solution. However, solar panels don't generate electricity during the peak hours of electricity use, which occurs on winter mornings and evenings. Siting a new local power plant in a dense urban area, such as Bellevue, Washington, would be extremely difficult to permit, and would still require new transmission lines to deliver the power to customers. Indeed, the most reliable and cost-effective solution is a combination of continued, aggressive conservation efforts and building a new substation and higher capacity transmission lines.

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[12] *Id*. at 9.

8. PSE's Energize Eastside project included substantial and extensive community involvement. In December 2013, PSE announced the project and began a multi-year community outreach effort to share information and to review and gather feedback on potential route options. PSE also collaborated with local cities, residents, businesses and a 24-member Community Advisory Group. PSE has held over twenty public meetings and conducted over 500 project briefings with stakeholders, neighborhoods and cities. PSE has mailed multiple postcards and newsletters and received nearly 3,000 comments and questions about the Energize Eastside project.

9. In September 2016, PSE began offering to meet with property owners along the existing corridor to talk about site-specific designs for the Energize Eastside project. PSE shared current designs for that specific property, including pole locations and how PSE plans to access those locations during construction. These conversations helped PSE refine the project design and better understand customer interests and concerns. PSE continues to engage with the community and listen to feedback to help inform the project.

10. After nearly four years of study and extensive dialogue with Eastside communities, PSE selected the existing corridor "Willow 1" route as the final route to permit for the Energize Eastside project. PSE evaluated multiple route options and selected the existing corridor because it is the least impactful route to Eastside communities. PSE's decision to use the existing corridor was guided by two key factors:

(i) **Commitment to Safety**. Customer safety is always the first priority at PSE, and PSE has a long history of working closely with Olympic Pipe Line Co. (Olympic). PSE's existing transmission lines have safely coexisted with the Olympic pipeline in this corridor for decades, even with periodic construction to replace poles. DNV GL, a leading national pipeline safety consulting firm, studied and confirmed that the Energize Eastside project can be safely colocated with Olympic's pipelines throughout the existing corridor.[13]

(ii) **Commitment to the Environment.** This route affects the fewest number of trees and avoids the construction of new corridors. PSE knows that our customers value trees, and PSE's goal is for there to be more trees when the project is complete, not fewer. PSE is working with property owners on property-specific landscaping and tree replacement plans for the Energize Eastside project. As a responsible and respectful neighbor, PSE is reaching out to affected property owners to discuss their preferences and identify compatible vegetation to incorporate into these plans.

Furthermore, the route will use fewer poles within the existing corridor. PSE is committed to keeping pole heights as low as possible. PSE's plan is to upgrade the existing four wooden poles to one or two steel poles. New poles will typically be located in the same or similar locations as the existing poles. The existing poles range from 55 feet to 65 feet in height and will be replaced with either a single pole typically at 80 feet to 100 feet in height or two poles typically at 70 feet to 85 feet. In some locations, poles may need to be taller than 100 feet, such as when crossing a highway.

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[13] DNV GL, AC Interference Analysis – 230 kV Transmission Line Collocated with Olympic Pipelines OPL16 & OPL20 (Dec. 13, 2016), available at https://energizeeastside2.blob.core.windows.net/media/Default/Safety/PSE_AC_Analysis_Bellevue_WA_FINAL_PP16591_12132016.pdf (concluding that "the AC interference effects on the collocated pipeline segments can be reduced to a level that satisfies acceptable industry thresholds for safety and accelerated AC corrosion").

11. In summary, the Energize Eastside project is a necessary infrastructure project for PSE to meet the growing electrical demand on the Eastside. PSE considered multiple options to meet this demand and determined that the most reliable and cost-effective solution is a combination of continued, aggressive conservation efforts and building a new substation and higher capacity transmission lines.

II. RESPONSES TO THE LAUCKHART PROPOSED CONDITIONS

A. Lauckhart Proposed Condition 1

12. Lauckhart Proposed Condition 1 would require PSE to address in an Integrated Resource Plan process any major improvements to its transmission system to meet reliability requirements. Such a condition is unnecessary and would circumvent an ongoing rulemaking by the Commission. In Docket U-161024, the Commission is considering, among other things, the topic of transmission and distribution planning within the Integrated Resource Plan (IRP) and Request for Proposal (RFP) processes. PSE will comply with the rules developed in Docket U-161024, as applicable. Any suggested requirements for a utility to consider major improvements to its transmission system as part of an IRP or RFP process should be addressed in the ongoing rulemaking in Docket U-161024, which would apply to all electrical companies subject to the jurisdiction of the Commission, and not in this proceeding, which would apply solely to PSE.

B. Lauckhart Proposed Condition 2

13. Lauckhart Proposed Condition 2 would require PSE to do its transmission planning work under the auspices of its own transmission planning staff. This

proposed condition is perplexing to PSE because the transmission planning work for the Energize Eastside project has always been conducted under the auspices of PSE's own transmission planning staff. Although PSE did retain the assistance of Quanta Technology to assist in performing studies for the Energize Eastside project, such studies were joint studies conducted under the direction and control of PSE's transmission planning staff. For example, the 2013 joint study clearly states that it was prepared by two members of PSE's transmission planning staff (Zach Gill Sanford and Carol O. Jaeger) and two members of Quanta Technology's team (Thomas J. Gentile and Donald J. Morrow). Similarly, the 2015 supplemental joint study again clearly states that it was prepared by two members of PSE's transmission planning staff (Carol O. Jaeger and Eleanor M. Ewry) and two members of Quanta Technology's team (Thomas J. Gentile and Donald J. Morrow). Any suggestion that PSE abdicated its study responsibilities to a third-party is simply false.

C. Lauckhart Proposed Condition 3

14. Lauckhart Proposed Condition 3 would require PSE to

> put the construction of the line out to bid so that third parties (i.e. Independent Transmission Companies…aka ITCs) can bid to do the construction and own the line with PSE getting use of the line under that company's FERC approved Open Access Transmission Tariff.

As previously discussed, the Commission is considering, among other things, the topic of transmission and distribution planning within the IRP and RFP processes in Docket U-161024. PSE will comply with the rules developed in Docket U-161024, as applicable. Any suggested requirements for a utility to submit RFPs

for construction of transmission lines should be addressed in the ongoing rulemaking in Docket U-161024, which would apply to all electrical companies subject to the jurisdiction of the Commission, and not in this proceeding, which would apply solely to PSE.

D. Lauckhart Proposed Condition 4

15. Lauckhart Proposed Condition 4 would require PSE (or any third party) to "get needed permits for building the line through [the Washington State Energy Facility Site Evaluation Council (EFSEC)] if EFSEC is authorized by law to permit the line." Such a condition is inconsistent with existing law that allows the utility to seek review under EFSEC or the various local jurisdictions affected by the project in question. PSE understands and is fully aware of the various EFSEC processes but has elected to work directly with the various jurisdictions instead of EFSEC. PSE has elected for review by the various jurisdictions because PSE believes that such review allows for the most collaborative approach. PSE actions are entirely consistent with its rights under law, and there is nothing improper with PSE's election to permit the Energize Eastside Project through the various local jurisdictions involved. In short, Lauckhart Proposed Condition 4 is unnecessary and inconsistent with the permitting options available to PSE under law.

E. Lauckhart Proposed Condition 5

16. Lauckhart Proposed Condition 5 would prohibit PSE from "tell[ing] WECC and/or ColumbiaGrid that they have committed to build a line until they have received permits for the line." Such an obligation is unnecessary and

inappropriate. PSE must provide information to WECC and/or ColumbiaGrid consistent with respect to PSE's obligations to such entities.

17. Moreover, the Energize Eastside project is necessary to meet PSE's load obligations in the Eastside and not to address regional transmission needs. The independent technical analysis of the Energize Eastside project issued by Utility System Efficiencies, Inc. in 2015 and commissioned by the City of Bellevue, Washington confirmed that the project is necessary to meet PSE's load service obligations and not to address regional transmission needs:

> The Optional Technical Analysis examined this issue by reducing the Northern Intertie flow to zero (no transfers to Canada). Although this scenario is not actually possible due to extant treaties, it was modeled to provide data on the drivers for the [Energize Eastside] project, to examine if regional requirements might be driving the need. The results showed that in winter 2017/18, even with the Northern Intertie adjusted to zero flow, the Talbot Hill 230/115 kV transformer #2 would still be overloaded by several contingencies (several different outage scenarios). Again, the projected overloads indicate a project need at the local level to meet reliability regulations.[14]

In other words, the comments of Mr. Lauckhart with respect to ColumbiaGrid and WECC are based on a fallacy that introduces an irrelevant topic to divert the attention from the original issue. The Energize Eastside project is necessary to meet PSE's load obligations and the relatively *de minimis* impact of the project on regional transmission needs does not convert the project into a regional transmission project.

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[14] *Independent Technical Analysis of Energize Eastside for the City of Bellevue, WA, supra* note 9, at 6.

F. Lauckhart Proposed Condition 6

18. Lauckhart Proposed Condition 6 would require PSE to "request that EFSEC approve the [Energize Eastside project] under the EFSEC procedures." As previously stated, PSE understands and is fully aware of the various EFSEC processes but has elected to work directly with the various jurisdictions instead of EFSEC. PSE has elected for review by the various jurisdictions because PSE believes that such review allows for the most collaborative approach. PSE actions are entirely consistent with its rights under law, and there is nothing improper with PSE's election to permit the Energize Eastside project through the various local jurisdictions involved. Lauckhart Proposed Condition 6 is unnecessary and inconsistent with the permitting options available to PSE under law.

G. Lauckhart Proposed Condition 7

19. Lauckhart Proposed Condition 7 would prohibit PSE from "request[ing] inclusion in ratebase of any dollar amounts that PSE has spent . . . to get [Conditional Use Permits] from 5 different jurisdictions." This proposed condition is improper for the Commission to consider in this proceeding. PSE's capital expenditures with respect to the Energize Eastside project should be treated no differently than capital expenditures for other projects. The Commission should reject this proposed condition and consider these costs if and when PSE submits these costs to the Commission for inclusion in rates. To prohibit PSE from seeking recovery of these costs now would improperly prejudge the prudence of these costs.

III. CONCLUSION

20. For the reasons set forth above, the Commission should reject each of the seven Lauckhart Proposed Conditions.

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Respectfully submitted,

PERKINS COIE LLP

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