Northwest & Intermountain Power Producers Coalition
Comments on Puget Sound Energy
Integrated Resource Plan 2015
February 1, 2016

Introduction

The Northwest & Intermountain Power Producers Coalition (NIPPC) is pleased to submit the following comments on the Puget Sound Energy (PSE, the company) 2015 Integrated Resource Plan (IRP). The IRP provides insight into PSE's perspective on the environment in which it operates and an appreciation for its priorities. If it does nothing else, the IRP's confirms that PSE sees itself operating as a traditional, vertically integrated monopoly making self-serving choices.

NIPPC finds the IRP insufficient and believe it requires significant work before it can provide meaningful information for the public and the Commission. Too much of the analysis provided is focused on vertically integrated solutions. The consequence is that considerations of advantageous options, which benefit PSE's ratepayers, are short changed.

Colstrip Analysis

The most vivid example of the company's defining self-image is the shortfall of information it provides on its plans for Colstrip. Despite the WUTC-approved delay for filing this IRP, PSE fails to disclose plans to reposition its ownership stake in the troubled plant. Meanwhile, the company's intent is previewed in SB 6248. At least some of the underlying justification for the legislation, entitled, "An Act relating to risk mitigation plans to promote the transition of eligible coal units," should have appeared in the IRP.

Units #1 and #2 are clearly "out of the money" running below a 60% capacity factor and further investments in the 1970's vintage will not be made. At 40 years, the plants have lived out their useful lives. The Commission will evaluate PSE's proposal to purchase Talen Energy's stake in Unit #3 before determining whether or not doing so is in the public interest. The problem here is that an IRP is a most appropriate place to make the base case for such a significant action and to inform the public and policymakers in the process. The company's decision not to have done so is regrettable.

Reliability Standard

The company explicitly channels its IRP around its commercial advantage with its reorientation of accepted resource adequacy norms. PSE chooses not to align its reliability metrics at the typical level of most utilities around the nation at 10% or even the 5% Loss of Load Probability (LOLP) used by the Northwest Power & Conservation Council. Instead, the company opts for setting LOLP at s hyper-conservative level of 1%. PSE calls this its "Optimal Planning Standard" resting it upon a concept it labels the "Customer Value of Lost Load."

Unfortunately, the company offers no tangible documentation of ratepayers' concern for or even interest in "Customer Value of Lost Load." It also lacks any serious cost/benefit analysis.[1] Certainly, if the company *had* asked ratepayers for their perspectives and share the results, the responses would have been illuminating.

NIPPC would expect that some respondents, especially businesses highly sensitive to retail reliability and power quality, might state a preference for opting out of cost of service entirely. Other ratepayers could be expected to express interest in the company deploying microgrids and/or battery storage to ride through outages. Still others may have suggested the company facilitate installs of back up onsite generation with a "black start" capability PSE could find useful in emergencies.

Meanwhile, at the wholesale scale, PSE's analysis also falls short. The scheduled retirement of regional coal capacity has been known for several years and nothing has alerted the closure schedule at Boardman or Centralia.

[1] The 3 MWh of annual "Expected Underserved Energy" is miniscule as compared to actual loss of load from distribution-level disturbances such as tree falls or squirrel interference.

There is also no sign that power market dynamics have tangibly reduced the reliability of wholesale market purchases to meet PSE's load. Notably, the company fails to provide a single example of a contracted power producer failing to fulfill its contractual obligations. In short, the company does not make the case for why the "Planning Standard" which worked perfectly well in 2013 should be replaced by a new "Optimal Planning Standard."

PSE is well aware that reliable access to Mid-C hydro capacity and the region's merchant thermal capacity can be assured through a variety of negotiated contract terms such as "first call" options, extended PPAs, etc. In addition, the option to integrate or purchase power from small thermal generators operating within the company's Balancing Authority Area is not even mentioned. But in a highly unusual reference, PSE singles out and unjustifiably debases a specific independent power producer, the 620 MW Grays Harbor Energy Center.

It is fair to conclude that the message underlying much of PSE's IRP is that utility ownership is a prerequisite for reliability. This should surprise no one since this view comports with the paradigm of vertical integration.

Natural Gas and Electric Supply Convergence

Puget Sound Energy, acting as both a LDC and electric utility, has led the Northwest in addressing the "convergence" of demand in the usage and delivery of natural gas. Its work with the Northwest Mutual Assistance Group ("NMAG") is commendable. Given PSE's attentiveness to these matters, we wonder where, other than this IRP, the company has raised alarms over convergence "risks." Even if the company had cited independent studies to substantiate its claims, low cost, prudent alternatives exist to forestall the risk of choosing between space heating and power outages. NIPPC is unaware of any reason for Northwestern to be concerned short of the risk of a cataclysmic seismic event.

Preferred Resource Options

PSE also falls short in its evaluation of preferred resource types.

One example is the company's discussion of Montana wind resources. The choice of Judith Gap for evaluative purposes is insufficient. Multiple wheels to Colstrip makes that location, while energetic, less than desirable. Selecting it as a reference only makes sense if the objective is to push Montana wind power out of consideration. But the company is aware of credible alternative wind power projects at highly energetic sites with direct access to Colstrip. PSE similarly continues to overlook viable Washington State wind farms within or adjacent to its Balancing Authority Area (BAA).

Meanwhile, other proven and cost-effective resource types are also given short shrift. These include operating CHP and biomass assets also located within or adjacent to its BAA.

The company's stated preference for expanding its stake in Colstrip, while notably not analyzed in the IRP is the clearest expression of its shareholder-first priorities. Multiple generation alternatives would be better for ratepayers and the environment than an expanded position in Unit #3. The required investment of catalytic converters early next decade should give the Commission sufficient cause for concern, not to mention greater remediation exposure; PSE is silent on both. Again, the company's "preferred resource option" lacked adequate analysis in the IRP.

Conclusion

Puget Sound Energy's IRP is informative in only the most general sense. It fails to provide an even-handed view of market options to self-built "reliability" resources and pays insufficient, timely attention to Colstrip's future.

NIPPC recognizes PSE is not obligated to base resource decisions on an IRP. Nevertheless, NIPPC respectfully recommends the Utilities & Transportation Commission find the IRP inadequate for enhancing the public and Commission's understanding of the full range of options the company has in managing its operations on behalf of ratepayers.