

February 1, 2016

FILED VIA ELECTRONIC MAIL

Steven V. King
Executive Director and Secretary
Washington Utilities and Transportation Commission
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P.O. Box 47250
Olympia, WA 98504-7250

Re: **Puget Sound Energy
2015 Integrated Resource Plan, Dockets UE-141170 and UG-141169**

Dear Mr. King:

On November 30, 2015, Puget Sound Energy (PSE or Company”) filed its 2015 Integrated Resource Plan (IRP) for both its electric and gas operations (Dockets UE-141170 and UG-141169). Public Counsel submits these comments in response to the Commission’s Amended Notice of Opportunity to File Written Comments, issued January 6, 2016.

A. Introduction.

Public Counsel was a participant in PSE’s Integrated Resource Plan Advisory Group (IRPAG) throughout the development of the 2015 IRP. PSE’s 2015 IRP was filed November 30, 2015, however, the original filing deadline was May 30, 2015. PSE indicated to stakeholders and the Commission that the delay in filing was necessary to incorporate more up-to-date information than would have been otherwise available.¹ These deadline extensions demonstrate some of the challenges in producing a “final” IRP document, because the analysis relies upon dynamic and changing information. Because of the time necessary to complete PSE’s modeling processes, by the time the IRP is filed, some of the information and assumptions included are not the most recent available versions. For example, since the time PSE’s updated load forecast was incorporated into the 2015 IRP analysis, the Company has done additional work to refine its load forecast. Based on information the Company has provided to stakeholders, PSE indicates that the

¹ Additional time was required to allow for the incorporation of an updated load forecast (Docket UE-141170 and UG-141169, Order 01 ¶ 6) and to update PSE’s resource adequacy analysis (Order 02 ¶ 4).

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current load forecast, as updated from the version used in the 2015 IRP, will result in lower anticipated load in later years.

The fluid nature of the IRP process is noteworthy to Public Counsel in review of the 2015 IRP, particularly in light of the Company's emphasis on "action plans" over "resource plans" in this iteration.² Public Counsel's comments on the IRP are not intended to provide a comprehensive review of all issues in the IRP, rather, they serve to highlight several specific areas of concern and/or interest that PSE should incorporate in its ongoing review of issues, and as a part of its action plans and continued evaluation for the 2017 IRP.³

B. Issues.

1. New Planning Standard.

In the 2015 IRP, PSE incorporates a new planning standard, from a five percent loss of load probability (LOLP) to an analysis associated with Customer Value of Lost Load (VOLL).⁴ In using the new standard, PSE would add capacity to its system at least two years earlier to reduce "risk," not to meet load.

Public Counsel is uncertain what problem PSE is attempting to solve with this new metric. PSE did not present adequate information in the IRPAG or in the IRP that the previous five percent LOLP standard, which PSE states is "a reasonable, industry-standard approach,"⁵ is problematic. PSE only explains that LOLP "does not explicitly consider the value of reliability to customers or the cost to provide that reliability."⁶ But, it is not clear that PSE's use of VOLL is the correct and reasonable measure by which to assess reliability standards, particularly for power supply.

If PSE is interested in changing the planning standard from the regional standard of five percent LOLP, the Company will need to provide additional information about why there is a problem with the current standard and why this change is necessary. Considering that PSE does not provide any information indicating that LOLP has been a problem or resulted in negative outcomes since its adoption, or that there are specific reasons that LOLP will be riskier in the future, at this time, this simply appears to be a more expensive option for ratepayers without clear benefits.

Furthermore, Public Counsel believes that IRPAG members, other interested stakeholders, and the Commission would benefit from a wider discussion of this issue with regional stakeholders,

²In previous IRPs, PSE has discussed the results of the IRP modeling using the term of "resource plan." In the 2015 IRP, in an attempt to defray possible concerns that the "resource plans" that result from the IRP modeling are the precise plan for the future, PSE has instead emphasized "Action Plans." PSE states, "What we learn from this forecasting exercise determines the Action Plan, and this is 'the plan' that PSE will execute against." *See*, 2015 IRP at 1-10.

³PSE's 2017 IRP is due July 17, 2017. *See*, Dockets UG-141169, UE-141170, Order 01 ¶ 16.

⁴PSE describes its VOLL measure in Appendix N: Electric Analysis, at N-41 through 42.

⁵2015 IRP at 6-5.

⁶2015 IRP at 6-5.

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if PSE wishes to pursue it further. Public Counsel is interested in hearing from other parties on this impact of this assumption, as well as its reasonableness. At this time Public Counsel believes that the VOLL analysis may have been an interesting exercise, however, it appears unnecessary and costly. PSE should rely instead on its LOLP analysis (which indicates the utility doesn't need additional generation resources until 2023, or possibly later).⁷

2. Market Reliability Assessment.

PSE also conducted a market reliability assessment as a part of this IRP, to explore risks associated with the availability of market resources to meet the roughly 1600 MW of resources PSE relies upon to meet its load.⁸ This is an interesting concept that requires additional consideration, particularly to ensure that PSE is relying on the most recent studies on the availability of regional capacity. Because PSE does not identify the need to acquire new generation resources until at least 2021 under the VOLL planning standard, and even later under the traditional LOLP standard, there is no immediate decision that is impacted by these questions, and PSE can pursue additional analysis in the next IRP.

3. Colstrip.

In PSE's July 31, 2015 petition seeking an extension of the IRP deadline, the Company stated, that it would not attempt to quantify future costs or risks associated with the Colstrip sensitivity analyses.⁹ This was noteworthy considering that PSE provided initial analysis results, including portfolio cost estimates to the IRPAG at the May 19, 2015 IRP meeting.¹⁰ In addition, the expected portfolio costs for all other sensitivity analyses can be found in Appendix N, Figure N-33.

Public Counsel understands that providing information regarding Colstrip in the IRP can create confusion because the Colstrip sensitivities, as considered in the IRP do not allow for an apples-to-apples comparison of some of the recent legislative proposals, and the sensitivity analysis generally does not take into consideration all of the costs that would need to be considered in a decision regarding the ongoing operation of the Colstrip Generating station. The Commission's comments accompanying its acknowledgement letter for PSE's 2013 IRP stated that it expected that "any further Commission deliberations, and decisions, on the economic viability of the continued operation of the Colstrip plant" would be made in the context of a

⁷ See, 2015 IRP, Figure 6-7. This table shows 275MW need in 2021 under the new planning standard, vs. a 50MW need in 2023 under the 5% LOLP standard.

⁸ 2015 IRP, p. 6-7.

⁹ Docket UE-141170 and 141169, Petition for exemption from WAC 480-100-238 and WAC 480-90-238 to modify the filing date for 2015 Integrated Resource Plan on behalf of Puget Sound Energy, filed July 31, 2015, p. 3.

¹⁰ See May 19, 2015 presentation at link; Colstrip sensitivities discussed on slides 92-103.

https://www.pse.com/aboutpse/EnergySupply/Documents/IRPAG_Presentation_2015-05-19.pdf Note: all of the analyses presented on May 19, 2015 relied upon the 5% LOLP planning standard, not the updated EUE.

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separate Colstrip Proceeding,¹¹ but not in the context of PSE's IRP. Public Counsel was involved in the Commission's investigation regarding the decommissioning and remediation costs associated with Units 1 and 2, and has encouraged the Commission to seek additional information and analysis on those issues.¹²

While Public Counsel is not advocating for the Colstrip issue to be decided in the IRP, the statements from the Company regarding its level of apprehension about the misinterpretation of analysis in the IRP is concerning. The Commission and stakeholders should be confident they will be able to receive useful, consistent and transparent information through the IRP process, and that it is not restricted by the Company because of outside concerns.

4. Demand Side Resources: Conservation and Demand Response.

The first item on both the Electric Action Plan and the Gas Sales Action Plan is for the Company to acquire energy efficiency. PSE's Ten Year Potential and 2016-2017 Biennial Target, as derived from the 2015 IRP, were approved on December 17, 2015,¹³ and the Company is in the process of implementing programs to meet those goals.

The second item on the Electric Action Plan is to acquire demand response. PSE provides additional detail about initial assessment of available demand response in Chapter 6,¹⁴ as well as in Appendix J, Comprehensive Assessment of Demand-Side Resource potentials. It is Public Counsel's understanding that the Company intends to issue an RFP for demand response in the coming months. Public Counsel encourages the company to seek proposals for all of the categories listed in Chapter 6, not just those that were selected most frequently in the Optimal DSR results listed in Figure 6-29, in order to ensure that the full breadth of options is considered.

5. PSE LNG Project.

The issues raised by the proposed LNG project¹⁵ are currently under consideration in Docket UG-151663. Public Counsel is actively participating in that docket.

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¹¹ Docket UE-120767, PSE 2013 IRP, Commission Acknowledgement letter, Attachment B, p. 15.

¹² Docket UE-1515, Second Comments of Public Counsel, filed December 30, 2015.

¹³ Docket UE-152058, Order 01.

¹⁴ 2015 IRP at 6-56 and 6-57.

¹⁵ See, 2015 IRP at 7-20.

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C. Conclusion

Public Counsel appreciates your consideration of these issues. I will attend the Commission's March 4, 2016 Open Meeting to address any questions regarding these comments.

Sincerely,

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