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March 29, 2013

Travis Ritchie
Sierra Club
85 Second Street, Second floor
San Francisco, CA 94105

RE: Response to January 10, 2013, and March 1, 2013 Letters

Dear Travis,

I am writing in response to your January 10, 2013, and March 1, 2013 letters. The Sierra Club's involvement during this process has helped shape the draft plan to be circulated for further comment on April 1. PSE has tried to be responsive to your comments and recommendations throughout this process within the parameters governing the Integrated Resource Plan (IRP). For example, in response to a recommendation in your January 10, 2013, letter, PSE developed the Colstrip Compliance Case 4.

With respect to your request for the detailed inputs/outputs and models, it is PSE's view that the Sierra Club's request for such detailed information is inconsistent with the IRP process in Washington State. I mentioned this viewpoint at the January 22, 2013, IRP Advisory Group meeting, during the discussion about timing of PSE's response to your letter. As I am sure you can appreciate, the IRP requires a significant amount of analysis, then time to analyze the results, then significant resources to develop communication around the analysis of results. The Commission requires the IRP to be filed by a date certain so PSE must at some point stop considering changes and write the plan.

The PSE Commission-Filed Public Participation Plan

On May 24th 2012, PSE filed its 2013 Integrated Resource Plan – Work Plan for the Commission's review. A draft of that Work Plan had been shared with Stakeholders and I asked for feedback at the May 1, 2012, IRP Advisory Group meeting. By the Commission's rules, the work plan must outline the timing and extent of public participation. In Docket UE-120767, PSE describes the 2013 Integrated Resource Plan Timeline for Public Participation. The practice outlined to the Commission is consistent

with the practice used in IRPs since 2003. That process does not describe nor does it contemplate an extensive discovery process, where PSE would provide all detailed inputs, outputs, and models to any stakeholder that asks during development of the filing. The IRP public participation process never has included such activity. The information requested in your January 10, 2013, and in the March 1, 2013, letters is simply beyond the scope of the public participation process described in PSE's 2013 IRP Work Plan filing.

Meaningful Public Participation Does Not Require Disclosure of Detailed Input Assumptions, Detailed Outputs, and Release of Entire Models

The Sierra Club's request for detailed input assumptions, models, and outputs is inconsistent with the purpose and practice "public participation" in WAC 480-100-238 (5). That provision has never meant that any stakeholder should expect any/all data, analysis, or models used to develop the IRP, beyond what is provided in the IRP document itself. We will respond to reasonable question as best we can—and I have done so countless times during the last several months. Your request here, however, is not simply asking a question, you are asking for all data used in the IRP with the models that generate the data. That level of detailed discovery during development of an IRP is unreasonable, unsupported by any process requirements, and unnecessary to meet the underlying intent of public participation referenced in the IRP rule.

Public participation in the IRP process is focused on helping the Company have a broader view about the future than it would have if planning were done in a vacuum. This planning cycle has seen significant involvement by stakeholders that have had a direct effect on how PSE approached the 2013 IRP. Examples include:

- Colstrip Cases: PSE initially developed three cases primarily on regional haze and whether coal combustion residuals would require off-site disposal as hazardous waste. Sierra Club's review of the material identified some typos in our draft material, which were helpful to identify. Sierra Club also recommended an additional case, which we developed as "Case 4," which was presented at the March 5, 2013, IRP Advisory Group meeting.
- CO₂ Cost/Prices: As assumptions were being developed in 2012, we had difficulty identifying carbon cost assumptions, because no legislation was seriously being considered. Stakeholders provided numerous articles on the "societal cost of carbon." NWECC suggested contacting somebody at Lawrence Berkeley Lab. This lead PSE to the source of two CO₂ cost assumptions. In an email dated May 24, 2012, I specifically requested carbon prices the Sierra Club uses in its analyses. Unfortunately, the Sierra Club did not respond to my request so PSE did not have the opportunity to consider those in our modeling.

- Replacement of Colstrip with Montana Wind: At the January 22, 2013, IRP Advisory Group meeting, Sierra Club requested PSE examine replacing Colstrip with Montana wind, because if Colstrip were shut down, the transmission might be available for such wind. PSE performed that analysis and presented it at the March 6, 2013, IRP Advisory Group meeting.
- Cost of Wind and Cost Effectiveness of CO₂ Reductions Using Wind: Stakeholders requested PSE provide information to demonstrate the real cost of wind power, which the public may believe is much lower than reality. PSE included an explanation of the cost impact and the cost of reducing CO₂ emissions using wind.
- Impact of Updated Planning Margin: In response to PSE's update to its planning margin, ICNU requested we investigate the impact on resource builds and revenue requirements. These were presented in an IRP Advisory Group meeting and included in Appendix K.

These are just some of the examples of how the 2013 IRP evolved in response to stakeholder feedback.

The Integrated Resource Plan Is Separate from the Resource Acquisition Process

Your March 1, 2013, letter demonstrates the nature of the information you are requesting is inconsistent with the IRP process. On page 2, your letter states

Essentially, what we need is the complete set of input data, assumptions, and model files that would be provided for stakeholder review of a resource decision in a proceeding before a public utilities commission.

The Commission's rules regarding Integrated Resource Planning are provided in WAC 480-100-238. The Commission's rules regarding the procedures utilities must use to acquire new resources are provided in WAC 480-107. These are separate rules and separate processes. The submission of the IRP is a compliance filing which the Commission acknowledges receipt of and confirms that the IRP meet the requirements of the rule; the RFP that is filed as part of WAC 480-107 must be approved by the Commission.

Given the clear separation between the IRP process and the process for making resource decisions in rules administered by the WUTC, the Sierra Club's request is clearly inconsistent with the IRP process.

Information Provided on Colstrip

PSE has provided more information on Colstrip through this IRP process than any other issue—significantly more than any other issue in past IRPs. In this process, I provided a

detailed summary of what PSE would present with respect to Colstrip In September of 2012. That was followed up by a detailed matrix of assumptions about the Colstrip Cases. Included with the matrix was an outline of the Appendix for Colstrip. That matrix with end notes was once again updated for the March 5, 2013, IRP Advisory Group meeting that included a new case based on your January 10, 2013, letter, which we have titled Case 4.

At the beginning of the IRP process, I explained that I would provide an annual comparison of the cost of continuing to operate Colstrip with the cost of replacing Colstrip, from a revenue requirement perspective; i.e., a forecast of how customers would experience those costs in rates. I further explained this would provide the Sierra Club and anybody reading the material, information by which they can do their own comparisons.

Charts showing the annual cost savings by continuing to operate Colstrip were presented for several scenarios at the January 22, 2013, IRP Advisory Group meeting. Results for the rest of the scenarios were presented at the March 5, 2013, meeting. Costs reflected in those comparisons include impacts of the different environmental cases, on-going investments anticipated at Colstrip, and different opportunity costs for three different segments of transmission from Colstrip to PSE's system, along with all the other variables considered in our portfolio analysis. Note, the annual data and end-effects for those analyses are all included in the Draft 2013 IRP Appendix K, so you will soon have the underlying data supporting the charts you requested. The Draft IRP will also include an entire appendix devoted to Colstrip: Appendix J.

Conclusion

Thank you for participating in PSE's 2013 IRP process.

Sincerely,

A handwritten signature in black ink, appearing to read 'Phillip Popoff', written over a horizontal line.

Phillip Popoff
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