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Mark L. Johnson, Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

Re: **Docket UE-191023: Comments of Puget Sound Energy on First Set of Discussion Rules Relating to Clean Energy Implementation Plans and Compliance with the Clean Energy Transformation Act**

Dear Mr. Johnson:

Puget Sound Energy ("PSE") appreciates the opportunity to respond to the Notice of Proposed Rulemaking (CR-102) to provide comment on the first set of discussion draft rules and questions posed by the Washington Utilities and Transportation Commission ("Commission"). In the Notice of the Opportunity to File Written Comments ("Notice"), dated May 5, 2020, the Commission encouraged stakeholders to submit comments in response to its 11 questions, and also indicated stakeholders may submit proposed edits in an attachment to their comments.

PSE's comments are divided into three parts:

(1) Comments on the rules, with an explanation, in some cases, of the rationale for some of PSE's suggested changes;

(2) Suggested edits to the discussion draft rules, in a separate attachment (Attachment A); and

(3) Responses to the Commission's questions posed in the Notice.

Introduction

As PSE expressed previously in its comments filed on February 28, 2020, the Clean Energy Transformation Act (CETA) will drive PSE to transform over half of its power supply portfolio to carbon-neutral and carbon-free resources over the next 25 years. This will constitute the largest and most rapid acquisition and integration of resources PSE has undertaken in its history, and it will more than double PSE's existing portfolio of renewable resources. Embarking on this

transition towards a cleaner electricity future, while keeping rates affordable for all customers and maintaining resource adequacy, will be an enormous challenge and require a tremendous amount of work, but one that PSE is committed to making a reality.

The inclusion of an alternative compliance mechanism based on a two percent increase in customer rates (the "Two Percent Alternative Compliance Mechanism") demonstrates an intent of legislators to limit incremental costs to maintain affordable electricity rates. Legislators were mindful of the balance between the incremental cost of compliance with CETA and rate pressures that exist independent of CETA. The Two Percent Alternative Compliance Mechanism was intended to promote rate stability and prevent unreasonable rate increases due to CETA implementation that might otherwise jeopardize customer support for the CETA goals, while still ensuring ongoing investment towards the clean energy goals resulting from this specific policy.

While the discussion draft rules represent a good start at outlining the methodology for calculating the Two Percent Alternative Compliance Mechanism, this is an area that needs further development in the rules. More importantly, in order for the Two Percent Alternative Compliance Mechanism to work, as designed, the social cost of greenhouse gas emissions should not be included in the baseline. Inclusion of the social cost of greenhouse gas emissions in the baseline for the incremental cost mechanism may (i) distort the calculation of the incremental cost due to CETA that customers actually pay; and (ii) undermine, rather than support, the ultimate policy objectives of the Two Percent Alternative Compliance Mechanism: maintaining affordable electricity rates in paying to achieve CETA compliance.

PART 1: PSE'S COMMENTS ON THE DISCUSSION DRAFT RULES

Given the breadth of the discussion draft rules and the complexity of these issues, PSE has a number of high level as well as specific comments to make at this stage in the proceeding.

Section A of Part 1 of these comments ("Section A") is organized around three key policy areas for this rulemaking: (1) implementing the Two Percent Alternative Compliance Mechanism discussed briefly above; (2) determining key compliance obligations under CETA; and (3) establishing expectations and the process for incorporating equity and other considerations under RCW 19.405.040(8) and public participation.

Section B of Part 1 of these comments ("Section B") focuses on a number of other issues, some of which may relate to the three key policy areas above. Ordinarily, some of these issues would be raised and addressed iteratively through informal conversations with Commission staff and stakeholders over a one to two year (or longer) time frame. Given the compressed schedule under statute for some of these CETA rulemakings, though, and the recent restrictions on in-person meetings due to COVID-19, PSE felt it was important to communicate as many issues,

questions, and concerns as reasonably possible early on in this proceeding. In doing so, PSE appreciates and acknowledges that Commission Staff was given the very difficult task of putting out a first set of discussion draft rules, which is not easy given the complexity of the CETA statute and some of the ambiguity within the statute. PSE hopes these comments will be viewed as constructive feedback and an opportunity for further dialogue around what rules need to be implemented this year and what rules or policies should evolve and develop over time as the Commission, utilities[1], and stakeholders gain familiarity and experience with meeting the expectations of CETA, including the development of clean energy implementation plans (CEIPs). Please note these comments represent PSE's initial thoughts in response to the discussion draft rules, and this feedback may change as there is additional dialogue through this rulemaking.

Section A. PSE's Three Priorities for this CEIP Rulemaking

1. Implementation of the Two Percent Alternative Cost Mechanism:

a. *Applying the Two Percent Alternative Cost Mechanism to Interim Targets and "Reasonable Progress"*

As noted in the introductory remarks above, the purpose of the Two Percent Alternative Cost Mechanism was to promote principles of rate stability and gradualism. The Two Percent Alternative Cost Mechanism is not an excuse for failing to achieve 100% carbon-neutral and carbon-free electricity. Instead, the Two Percent Alternative Cost Mechanism is a deliberate cost-control mechanism enacted by the Legislature to ensure that the pace of any incremental cost increases to customers resulting from achieving CETA compliance is manageable, especially given that utilities have other non-CETA activities that also affect rates. Achieving the goals of CETA (or any other policy) at lowest reasonable cost to customers is a fundamental role of utilities, and the Two Percent Alternative Cost Mechanism is simply a form of cost protection for customers. This type of incremental cost protection is common in policy, and an issue that policy-makers have to regularly balance. With that context, PSE offers comments to ensure that (i) the Two Percent Alternative Cost Mechanism, should it be necessary, is consistent with the legislative intent and (ii) any utility's use of the Two Percent Alternative Cost Mechanism can be clearly understood by legislators, stakeholders, and customers.

If a utility plans to use the Two Percent Alternative Cost Mechanism under RCW 19.405.060(3), then both the specific and interim targets proposed by the utility must be directly informed by the application of the Two Percent Alternative Cost Mechanism. This is demonstrated by the plain

[1] For purposes of these comments, PSE uses the term "utility" or "utilities" to specifically refer to electrical companies as defined in RCW 80.04.010.

language in RCW 19.405.060(3)(a), which states that a utility must be considered in compliance with the standards in RCW 19.405.040(1) and .050(1) if the incremental cost of "meeting the standards or the interim targets" equals a two percent increase. Therefore, the Two Percent Alternative Cost Mechanism should directly inform the interim targets proposed by, and established for utilities.

Furthermore, what constitutes "reasonable progress" towards meeting the standard under RCW 19.405.040(1) in a CEIP will depend on whether the utility is relying on the Two Percent Alternative Cost Mechanism. For example, if a utility relies on the Two Percent Alternative Cost Mechanism in establishing its interim targets, then that utility should be deemed as demonstrating "reasonable progress" under draft WAC 480-100-655(2), if it satisfies the terms of the Two Percent Alternative Cost Mechanism by spending on average two percent annually in attempting to achieve the interim targets. Accordingly, the Commission should add the following language to draft WAC 480-100-655(2) as a new subsection (e):

> (e) For a utility that relies on RCW 19.405.060(3) as the basis for compliance with the standard under RCW 19.405.040(1) or RCW 19.405.050(1), the interim target proposed will be directly informed by the incremental cost calculation as provided in WAC 480-100-675. Any interim target proposed by a utility that is directly informed by the incremental cost calculation may be deemed as demonstrating reasonable progress under this section.

In the alternative, if the Commission disagrees with this approach, PSE suggests that a utility's reliance on the Two Percent Alternative Cost Mechanism should be *at least* a major factor in the Commission's determination of whether the utility has demonstrated reasonable progress in achieving the interim targets.

b. *Inclusion of the Social Cost of Greenhouse Gas Emissions in the Calculation of the Two Percent Alternative Cost Mechanism*

The Commission *should not* including the social cost of greenhouse gas emissions in the baseline of alternative lowest reasonable cost and reasonably available portfolio, as indicated in the discussion draft rules. RCW 19.405.060(5), which specifically addresses the incremental cost of compliance only specifies as follows:

> The commission, for investor-owned utilities, and the department, for consumer-owned utilities, must adopt rules establishing the methodology for calculating the incremental cost of compliance under this section, as compared to the cost of an alternative lowest reasonable cost portfolio of investments that are reasonably available.

This statutory language does not mention the social cost of greenhouse gas emissions. Any requirement to include the social cost of greenhouse gas emissions in the determination of the alternative lowest reasonable cost and reasonably available portfolio would exceed the statutory language of, and policy direction outlined in, CETA.

2. Defining what are Compliance Obligations vs. CETA requirements

The initial CEIP rules should establish the procedural framework and key compliance obligations for CEIPs and should *not* attempt to address all requirements of or expectations under CETA. CETA presents utilities, the Commission, and stakeholders with a significant undertaking in the first few years of its implementation. Utilities must develop the systems, analytics, and public involvement processes to support development of Clean Energy Action Plans, develop CEIPs that describe the interim targets, the specific targets, and the specific actions necessary to demonstrate progress towards those targets, while also adhering to the requirements of RCW 19.405.040(8). It is important that this initial set of CEIP rules focus on outlining the process and expectations for CEIP filings, including the approval process, and not attempt to address all of the breadth of CETA at once. Engagement from policymakers, stakeholders, and customers is an important part of CEIP development and not one that can be fully contemplated or predicted in the accelerated rules development process. Further policy guidance and/or rules can be developed over time, particularly after the approval cycle for the first CEIPs has concluded.

As an example, the definition of "clean energy standard" in the purpose section of the discussion draft rules, while perhaps well intended, should be narrower. The phrase "clean energy standard" in the discussion draft rules attempts to encompass all requirements of Chapter 19.405 RCW. This results in an overly broad interpretation and application of the provisions in CETA. This approach distracts from what should be the focus of the CEIP – demonstrating progress towards meeting the standard as defined in RCW 19.405.040(1) and .050(1), while ensuring that the progress takes into account the other requirements of how a utility meets the standard, which are reflected in RCW 19.405.040(8).

All of the requirements or expectations for utilities in Chapter 19.405 RCW do not necessarily belong in a CEIP or in the CEIP rules. For example, the expectation in RCW 19.405.120 (Section 12 of CETA – energy assistance for low-income households) that utilities demonstrate progress towards making energy assistance funds available to low-income households does not need to be communicated through a CEIP. Rather, CETA requires this demonstration be made through an assessment provided to the Department of Commerce every biennium. There is no requirement in CETA for the inclusion of this demonstration—or any other energy assistance reporting information—in a utility's CEIP. If the overly broad definition of "clean energy standard" proposed in the discussion draft rules is adopted, however, utilities may have no choice but to provide duplicative progress reporting on energy assistance funding through the CEIP, notwithstanding the fact that CETA already provides another process for making this representation.

In the early years of implementing CETA, the integrated resource plan (IRP) and CEIP rules should remain focused on establishing an initial framework for implementing CETA. These initial rules should not attempt to rewrite or "transform" the entire regulatory process in the development of the first CEIP. There will be activities that utilities undertake each year that are not germane to the development, review, and approval of a CEIP. These activities, and their prudence, will continue to be evaluated by the Commission through rate cases and other proceedings.

3. Expectations Regarding Public Participation, including Equity Considerations

Given the transformative nature of the CETA, public participation in the development and approval of the CEIP must be more robust and inclusive than public processes have traditionally been as part of the regulatory process. In this regard, PSE has already taken steps in this direction through the development of its public participation plan using the International Association for Public Participation (IAP2) guidelines for its 2021 IRP. The CEIP should follow the same process, and PSE supports the provisions in the draft rules requiring utilities to file a public participation plan with the Commission.

In terms of timing, the draft rules contemplate that each utility would file a public participation plan that includes the implementation of the CEIP on a two-year cycle. PSE believes that rules that would require utilities to file a public participation plan for the <u>development</u> of each CEIP and file a separate public participation plan with each CEIP for its <u>implementation</u> would be a preferable approach to a single CEIP public participation plan every two years.

In the structure of the public participation rules, the provisions do not address how existing advisory groups would participate in the CEIP, nor do they explain how advisory groups should interact with each other, if at all, during the development of the CEIP. The discussion draft rules also appear to unintentionally signal a preference for advisory groups rather than other forms of public participation. (For example, the discussion draft rules provide specifics regarding engagement with advisory groups but provide no specifics regarding engagement with the general public.) Advisory groups are one component of public participation, but not the only component.

CEIP public participation plans filed with the Commission should identify how utilities will work with existing advisory groups, and the new equity advisory group, in the development of the CEIP. This allows existing advisory groups, some of which function under rules not implicated in this rulemaking, to continue to fulfill their required work and processes, while also being included in the CEIP development process. The public participation plan should specify the meetings of the existing advisory groups at which the CEIP will be discussed, if the dates of those meetings are known, and the topics to be discussed, to provide notice of this opportunity.

Because CETA will affect all customers, public participation plans should include measures to include the voices of all customers, including vulnerable populations and highly impacted

communities. Many of these communities are, by definition, historically underrepresented in public processes, and neither the Commission nor the utilities should impose a specific timeline or process for engagement with these communities this early in CEIP development, which could hinder representation of vulnerable populations and highly impacted communities in the CEIP processes. It will take time to build trust, engagement, and, perhaps, the resources for community voices to emerge.

To further include vulnerable populations and highly impacted communities, PSE supports Commission Staff's proposal that each utility establish an equity advisory group to advise the utility on the incorporation of the indicators identified by the Department of Health and the CEIP development. An equity advisory group could be especially valuable in helping identify equity indicators, as it contemplated in the draft rules. Further public participation should involve members of highly impacted communities and vulnerable populations in validating the equity indicators. Further public participation will also provide guidance when implementation of a CEIP could affect highly impacted communities and vulnerable populations identified by the Department of Health.

As previously stated, PSE supports the establishment of a standalone equity advisory group. Nonetheless, equity advisory group provisions in Proposed WAC 480-100-670(2) would benefit from further revision and development. PSE provides some suggested edits to Proposed WAC 480-100-670(2) in Attachment A to these comments.

Although ongoing dialogue with equity advisory group members in the development and implementation of the CEIP is important, advisory group members and the public need not be involved in the development of—and the mechanics associated with—the implementation and progress reports. That requirement seems overly prescriptive and may not be a good use of the time and expertise of advisory group members. That said, PSE is committed to keeping the advisory group members *informed* of the findings and outcomes of those reports, which may have been the intent of those provisions.

Recognizing that the first CEIP cycle will be challenging due to the compressed time schedule and steep learning curve, PSE supports further workshops with stakeholders and the Commission to develop initial indicators to support the provisions in WAC 480-100-650(1)(d) through (f). Further dialogue would be extremely helpful in building common understanding of these provisions and ensuring that utilities have a few initial indicators for use in the development of their first CEIPs.

Establishing an equity advisory group, with representative, diverse, and inclusive representation, will take time. The work to develop initial equity indicators should be done thoughtfully by the

group and informed by current research and data.[2] Over time, equity indicators will be refined and added as utilities gain experience and learn more about customer needs. In the beginning, though, utilities need a reasonable starting point and manageable expectations for addressing equity in the CEIP.

Additionally, utilities will need to be creative about how they engage communities and customers. Not all of the actions taken to engage with the public may be reflected in a formal public participation plan filed under draft WAC 480-100-670(5) at the outset, nor will it all be in the form of "formal and informal public meetings." Utilities could use other methods to encourage public participation of all customers, including a website as the draft rules have proposed, as well as online and in-person engagement of different customer groups. This kind of outreach could lower barriers to participation and involve a diverse set of customers, thereby supporting robust public participation. Utilities should endeavor to capture the totality of the input received, and how such input has shaped the development of the plan, in the public comment summary provided pursuant to draft WAC 480-100-670(6).

Section B. Other Important CEIP Issues and Policy Considerations

1. Breadth of the CEIP and Utility Operations

Draft WAC 480-100-650, which requires that all planning and investment activities undertaken by a utility must be consistent with the clean energy standard is overly broad. This is simply too much ground to cover in a CEIP, and it is well beyond the intent of the CEIP provisions under CETA. As explained in response to Question 3 in Part 3 below, it is important that the IRP and CEIP rules in the early years of implementing CETA remain focused on setting up an initial framework for implementing this new statute. These initial rules should not attempt to rewrite or "transform" the entire regulatory process. There will be planning and investment activities that utilities undertake each year that are not germane to the development, review, and approval of CEIPs. The Commission will continue to evaluate these activities, and their prudence, in rate case proceedings, and, over time, as utilities transition to multi-year rate plans, those rate plans will increasingly provide more specificity in this area.

CETA does not suggest that the Commission must review *all* activities the utility undertakes and determine whether those activities are consistent with the clean energy standards, as broadly defined in the discussion draft rules. Instead, the Commission's review of CEIPs should focus

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[2] As an example, a low-income needs assessment study could serve as a starting point for future analysis of potential barriers to participation in an electrical company's energy assistance programs.

on the investments that utilities intend to make in making reasonable progress towards meeting RCW 19.405.040(1) and RCW 19.405.050(1), consistent with the provisions of CETA.

2. Pumped Storage and Batteries

The Commission should provide additional clarity in the rules regarding the eligibility of pumped storage under CETA. Although RCW 19.405.050(5)(a) allows the creation of hydroelectric facilities for a pumped storage facility, the statute is silent on whether renewable power must be used to operate the pumps. Pumped storage, and its application, should be addressed in the definitions section of the rules.

Similarly, questions exist about how storage resources may be reflected in a renewable energy target. The last sentence in subsection (3)(a)(iii) states: "The utility may include storage resources in the renewable energy target when those resources will be charged using renewable resources." If a utility were to build a storage facility adjacent to a solar or wind project and connects them, that seemingly would meet the requirements of subsection (3)(a)(iii). If the same utility were to install a battery on its distribution system and pairs an appropriate amount of renewable energy to associate with that battery, does the battery qualify as a resource being "charged using renewable resources"? Some additional clarity in the rules would be helpful.

3. Reporting

The discussion draft rules contemplate a number of reports be filed to demonstrate a utility's progress towards meeting the 2030 and 2045 standards. The Commission should redefine the report filed under draft WAC 480-100-665 as an "implementation report" rather than a "compliance report." The true compliance obligations under CETA are meeting the 2030 and 2045 standards. Any report filed before 2030 is not filed to demonstrate compliance with those standards, neither of which is yet in effect. Rather, a report filed prior to 2030 is meant to communicate a utility's *reasonable progress* in implementing its CEIP and the 2030 standard. Moreover, some of the reporting elements contained in draft WAC 480-100-665(1) are not part of the Commission's determination outlined in draft WAC 480-100-665(2)(c) and, therefore, should be filed as informational rather than as elements of a "compliance report."

Additionally, PSE recommends that any CETA reporting required by the Department of Commerce and the Commission should align in name, format, content, and timing. For example, investor-owned utilities should prepare only one report at the end of each CEIP implementation period and provide it simultaneously to the Department of Commerce and the Commission. To have two different reports that are substantially similar—but not identical—in name, format, content, or timing will only create confusion and add work for utilities and the agencies.

Finally, a timing issue may exist with respect to reporting greenhouse gas content related information as part of the clean energy progress report under Proposed WAC 480-100-665(3)(f). Reporting this information for generation sources owned by utilities by June 1, every other year,

will be straightforward. However, for sources not owned by utilities, this requirement will be more challenging because of the timing of when the Environmental Protection Agency (EPA) generally publishes its emissions values each year. As PSE indicated in its comments to the Department of Ecology on May 25, 2020, utilities should use actual emission data rather than a five-year rolling average. To better address this timing issue, PSE recommends that utilities should prepare and submit their greenhouse gas emission reports to the Commission and the Department of Commerce *after* EPA data become available, which would be in the fourth quarter of the year rather than by June 1. Greenhouse gas emissions information need not be included in the clean energy progress report because it is already covered in the energy emissions and intensity report under existing WAC 480-109-300 and in the proposed revisions to that provision in the Energy Independence Act (EIA) rulemaking.

PART 2: PSE'S SUGGESTED EDITS TO DISCUSSION DRAFT RULES:

Please see Attachment A for a complete set of suggested edits to the discussion draft rules. The rationale behind many of PSE's suggested edits was provided above in Part 1.

PART 3: PSE'S RESPONSES TO THE COMMISSION'S QUESTIONS

1(a) "Lowest reasonable cost." Does the use of the term "resource" in this definition limit the types of costs that are included in an assessment of "lowest reasonable cost"?

PSE Response:

Yes, the use of resource in the definition of "lowest reasonable cost"[3] does appear to limit the types of costs included in the lowest reasonable cost. There are a number of needs in meeting the standards of CETA that are not resources. As a few examples, energy transformation projects may not be "resources," and implementing distributed resources may require modifications of the delivery system that are necessary to comply with CETA but may qualify as "resources."

RCW 19.405.040(6)(a)(i) specifies that utilities must meet targets "at the lowest reasonable cost, considering risk." This qualifier of "considering risk" is important to recognize that utilities must continue to maintain service to customers and to acknowledge that there are a variety of ways to meet the goals of CETA. The Commission should follow the plain language of the legislation and qualify the term "lowest reasonable cost" as the "lowest reasonable cost, considering risk" in the rules. This qualifier recognizes the importance of alternative means to

[3] It is important to note that "lowest reasonable cost" is defined in RCW 19.280.030(11) for application to utility resource planning. The use of "lowest reasonable cost" in the context of CETA should not be confused with the definition of lowest reasonable cost that applies to resource planning. The use in CETA is a broader view meant to encompass the different factors of implementing CETA, not just issues that are part of resource planning.

compliance (e.g., energy transformation projects) and non-power considerations (e.g., equity provisions) to CETA. This qualifier and decreasing the terms "use" where possible would be advisable. Additionally, the Commission should not modify the term "lowest reasonable cost" in the IRP rules (specifically RCW 19.280.020) because such a revision would create confusion between rules.

(b) "Resource need." Is it appropriate to include "delivery system infrastructure needs" in the definition of "resource need"?

PSE Response:

PSE suggests that including the phrase "delivery system infrastructure needs" in the definition of resource needs is unnecessary. PSE believes that delivery system infrastructure needs that support implementation of CETA are implied by the statute, but are not resources. The language in the draft definition of "resource need" appears to acknowledge this. Inclusion of delivery system infrastructure as part of a CEIP to support implementation of CETA is important, but identifying delivery system infrastructure as a part of the definition of "resource need" could create conflicts with other requirements on—and values of—delivery system infrastructure.

(c) "Integrated resource plan." Is it appropriate to include "delivery system infrastructure needs" in the definition of "integrated resource plan"?

PSE Response:

PSE suggests that including the phrase "delivery system infrastructure needs" in the definition of integrated resource plan is unnecessary because the proposed definition includes it by reference to chapter 19.280 RCW. Specifically, RCW 19.280.030 (2)(e) notes the need to consider transmission and distribution costs, and 19.280.100 requires a 10-year distribution investment plan.

(d) Do changes to the integrated resource planning statute, RCW 19.280, especially the addition of RCW 19.280.100 (Distributed energy resource planning) and RCW 19.280.030(2)(e) affect the definition of "resource"? Does the term "resource" refer to more than just energy and capacity resources for meeting (or reducing) customer demand for electricity?

PSE Response:

No. The addition of RCW 19.280.100 or RCW 19.280.030(2)(e) does not affect the definition of the term "resource." The term "resource" continues to simply refer to energy and capacity resources required to meet (or reduce) customer demands for electricity. The additions in RCW 19.280.100 and .030(2)(e) simply provide clarity that the costs of transmission and distribution facilities required to support distributed energy resources, or energy resources in general, must be considered. As such, those costs may influence the determination of the lowest reasonable

cost resource options. Particularly as it relates in the context of CETA, attempting to tamper with the widely understood definition of "resource" will only create confusion in the interpretation of the associated rules.

2. The purpose of CETA is to transition the electric industry to 100 percent clean energy by 2045. To achieve this policy, each utility must fundamentally transform its investments and operations. In draft WAC 489-100-650, Clean energy standard, the discussion draft states that "planning and investment activities undertaken by the utility must be consistent with the clean energy standards [Chapter 19.405 RCW]." While RCW 19.405 refers to the percentage of retail sales served by nonemitting and renewable resources as the "standard," the draft rules describes a clean energy standard that incorporates the additional requirements found in the statute. Is this term useful in clarifying the rule? If not, please recommend an approach for including the additional requirements from the statute.

PSE Response:

PSE appreciates the efforts made by Commission Staff to streamline the rules through creating a consolidated definition of "clean energy standard." Taking into account the breadth and complexity of CETA, however, the rules would be better off without this consolidated definition. The CEIP rules should be guided by the plain language of the CETA statute and be clear in each instance about what component of the CETA statute is being addressed. The rules should not rely on a consolidated definition of clean energy standard. PSE's preference for this approach is explained further in response to Question 3 below.

The additional requirements of the statute can be addressed, one by one, in Proposed WAC 480-100-650 (Clean Energy Standards) and, if needed, in Proposed WAC 480-100-655 (Reporting and Compliance).

If the Commission's main objective is to integrate the equity provisions outlined in RCW 19.405.040(8) into the definition of "clean energy standard," then PSE recommends that either the purpose section be revised to specifically state that, or a new definition be added for "clean energy standard" that refers specifically to the requirements in RCW 19.405.030, 040(1), .050(1) and .040(8), rather than all of chapter 19.405 RCW.

3. The proposed rules make a distinction between determining whether the planning and investment activities undertaken by the utility are in compliance with the clean energy standards of CETA and approving the specific actions the utility undertakes to comply with the clean energy standards. In draft WAC 480-100-650, the discussion draft requires that all planning and investment activities undertaken by the utility must be consistent with the clean energy standards.

a. **Should the commission determine whether all the activities, rather than the planning and investment activities, undertaken by the utility are consistent with the clean energy standards?**

PSE Response:

It is important that the IRP and CEIP rules in the early years of implementing CETA remain focused on setting up an initial framework for implementing this new statute. As PSE indicated in Part A of these comments, these initial rules should not attempt to rewrite or "transform" the entire regulatory process. There will be planning and investment activities that utilities undertake each year that are not germane to the development, review, and approval of CEIPs. The Commission will continue to evaluate these activities, and their prudence, in rate case proceedings, and, over time, as utilities transition to multi-year rate plans, those rate plans will increasingly provide more specificity in this area.

CETA does not suggest that the Commission must review *all* activities the utility undertakes and determine whether those activities are consistent with the clean energy standards, as broadly defined in the discussion draft rules. Instead, the Commission's review of CEIPs should focus on the investments that utilities intend to make in making reasonable progress towards meeting RCW 19.405.040(1) and RCW 19.405.050(1), consistent with the provisions of CETA.

Irrespective of what the rules require, investments and operations of utilities will undoubtedly change as they move towards carbon-neutral and carbon-free electricity. Over time, it is possible, if not likely, that IRP and CEIP rules will need to evolve to reflect those changes. For now, though, the Commission should remain focused on the near-term (and most pressing) task of setting up an appropriate framework tailored towards the development, review, and approval process for CEIPs.

b. Does the draft rule need to more clearly delineate the review of activities as being separate from the approval of specific actions?

PSE Response:

The draft rules should distinguish between the activities the Commission intends to review for consistency with the clean energy objectives in CETA (however that is defined in rule), and the specific actions in the CEIP that need to be approved.

4. Please respond to the merits of this proposed timeline.

PSE Response:

PSE appreciates Commission Staff's efforts to more closely align the timing of the EIA filings with the CEIP filings. The filing date for the CEIP should be moved from October 1 to November 1, which is consistent with the filing date for each utility's Biennial Conservation

Plan. This one-month adjustment would mean that each utility would provide a draft of the CEIP to its advisory group(s) on or about September 1. An additional month to engage in meaningful public engagement prior to the filing deadline will be valuable to utilities, especially during the development of the first CEIP.

5. RCW 19.405.060(1)(b)(iii) refers to "demonstrating progress toward" meeting the clean energy standards and interim targets.

a. Is it clear from the draft rules that such a demonstration within a four-year compliance period would encompass compliance with the various components of the statute?

PSE Response:

No. As PSE explains above in response to Question 2, the Commission should adopt a narrower definition of "clean energy standard" that more closely reflects the plain language of the CETA statute. RCW 19.405.060(1)(b)(iii) requires utilities to identify specific actions "that demonstrate progress towards meeting the standards under sections 4(1) and 5(1) of this act and the interim targets proposed." This statutory language does *not* say that utilities must demonstrate progress in each four-year compliance period towards meeting each and every requirement in Chapter 19.405 RCW. If that were intended, the Legislature would have written that sentence to refer to "this chapter" or "this act" rather than those two specific subsections in the law (i.e. the 2030 and 2045 standards) and interim targets. As stated previously, the Commission should focus its rulemaking efforts on providing clear processes to implement CETA and not expand upon the plain language of the statute where there is no ambiguity. In this case, the utility's obligation is clear—in each CEIP, a utility must demonstrate progress towards meeting its proposed interim targets and the standards in RCW 19.405.040(1) and RCW 19.405.050(1) as specified in RCW 19.405.060(1)(b)(iii).

b. Is it clear from the draft rules that some components of the statute (e.g., RCW 19.405.030 and RCW 19.405.040(8) would be evaluated relative to the four-year compliance period rather than relative to 2030 or 2045?

PSE Response:

No. As stated previously, the broad definition of "clean energy standards" as applied in the discussion draft rules introduces some ambiguity as to how all the different components of the statute should, or would, be applied. For example, draft WAC 480-100-650(4) requires the utility to describe how the specific proposed actions "(a) Demonstrate progress towards meeting the clean energy standards." Are all the specific actions judged against the 2030 and 2045 standards, which are a key part, but not the only part, of the definition of "clean energy standards" referenced?

The CETA statute has a number of new obligations and expectations for utilities. It would be better to be specific, in rule, on what needs to be included in the CEIP and measured through reporting at the end of the four-year compliance period. The Commission should not use general

definitions to attempt to capture the full scope of CETA. Indeed, the broad definition of "clean energy standards" fails to provide how that information is communicated or what is expected. A broader approach, such as that suggested in the proposed definition of "clean energy standards," only introduces uncertainty and risk for the utility and could potentially slow important progress towards meeting the state's overall energy policy goals.

6. Interim targets

a. Draft WAC 480-100-655(2)(b) requires utilities to propose interim targets for meeting the 2045 standard under RCW 19.405.050. Noting that RCW 19.405.060(1)(a)(ii) requires utilities to propose interim targets for meeting the standard under RCW 19.405.040 <u>but not .050,</u> is it appropriate for the Commission to establish interim targets for making progress towards meeting the standard in .050?

<u>PSE Response</u>:

No. At this time it is not appropriate for the Commission to establish interim targets for making progress towards meeting the standard in RCW 19.405.050. It is important for the Commission to remain consistent with the plain language of the statute when adopting rules. Furthermore, prior to 2030, utilities are going to be focused on developing specific and interim targets towards meeting the 2030 standard in RCW 19.405.040(1) as opposed to the 2045 standard. It is neither necessary nor required by CETA for a utility in its 2022-2026 CEIP to propose interim targets for how it plans to meet the 2045 standard, many years in the future. The Commission must recognize that different utilities will necessarily have different paths to the 2030 and 2045 standards. Each utility should include targets towards the 2045 standard when, and if, appropriate to the circumstances of the utility. The CEIP should remain focused on the actions the utility will take, in that four-year compliance period, to meet its specific and interim targets. Furthermore, as indicated in prior comments in this docket, the Commission also will be in a better position after the first CEIP cycle to determine what rules may be appropriate for interim targets after 2030 and could revisit the issue then.

b. Draft WAC 480-100-665(1)(b) requires utilities to meet their interim targets. However, RCW 19.405.090 does not establish penalties for interim targets. Is it appropriate for the commission to enforce compliance with the interim targets through its own authority?

<u>PSE Response</u>:

PSE recognizes that interim targets are necessary to ensure progress towards the two key compliance obligations under CETA – the 2030 and 2045 standards and that utilities should be expected to meet their proposed targets. Although interim targets appear to be enforceable under the draft rules, there should not be a penalty associated with failing to meet an interim target. Interim targets are necessary to ensure that a utility is making reasonable progress towards the 2030 and 2045 standards and should not serve as a separate compliance requirement of CETA. If the Legislature intended for the Commission to penalize a utility for failure to meet an interim

target, it would have specifically provided for such a penalty, as it did in RCW 19.405.090(1) for failure to meet the standard under RCW 19.405.040(1) and .050(1). Absent such statutory direction, it is inappropriate for the Commission to assess penalties for failure to meet an interim target.

7. Chapter 19.405 RCW requires the utility to demonstrate its compliance with RCW 19.405.040(1) and .050(1) using a combination of nonemitting and renewable resources. Because there are additional requirements in the statute, draft WAC 480-100-665 requires the utility to report more than just its nonemitting and renewable resources. Is the reporting under draft WAC 480-100-665 necessary and appropriate?

PSE Response:

As previously discussed, the Commission should relabel the report outlined in draft WAC 480-100-665 as an "implementation report" rather than a "compliance report." As indicated by the language of CETA, the main "compliance" obligation is the standard in RCW 19.405.040(1) and .050(1). The other elements that are discussed and examined in this report are not compliance obligations but rather components of the CEIP that should be examined at the end of the implementation period to determine what was actually implemented as planned. For example, utilities should detail in their implementation reports what progress was made towards meeting the specific and interim targets laid out in the CEIP. To the extent those targets were not entirely met, utilities should explain why that was the case.

Furthermore, the proposed rules in draft WAC 480-100-665(2) should grant the Commission flexibility and discretion in its review and determination process. The Commission's determination should be focused on whether a utility has made reasonable progress towards meeting the standard under RCW 19.405.040(1) and .050(1). Meeting targets is one, but not the only means, of determining whether a utility has made reasonable progress. The Commission should review the implementation report and consider the totality of the circumstances facing the utility from the time the CEIP was approved to the end of the implementation period. If the utility acted reasonably and prudently in acquiring resources pursuant to its CEIP and demonstrated reasonable progress towards meeting the standard, the CEIP should "pass" the Commission's test of demonstrating progress with respect to specific and interim targets.

8. RCW 19.405.040(1)(a)(ii) establishes multiyear compliance periods between 2030 and 2045. RCW 19.405.060(1)(a)(ii) requires the utility to propose interim targets during the years prior to 2030 and between 2030 and 2045. Draft WAC 480-100-655(2), uses the term "implementation period" to avoid confusion with the compliance periods in the statute. It also requires a series of interim targets for 2022 to 2030 and 2030 to 2045. Does the draft rules clearly demonstrate that intent? Is this approach appropriate?

PSE Response:

PSE generally agrees with this approach, except for the requirement that each CEIP propose a series of interim targets for both 2022 to 2030 and 2030 to 2045, particularly in the first CEIP, which will cover only the 2022-2026 time period. The first CEIP will focus on setting *interim* targets between 2022 and 2030 to meet the aggressive carbon-neutral standard in 2030. PSE suggests the Commission should provide more flexibility in the rule for utilities to propose the interim targets that make the most sense, given the unique circumstances of each utility. Interim targets for each utility may be structured differently based on their unique circumstances, including whether or not the utility anticipates relying on the Two Percent Alternative Compliance Mechanism.

Additionally, PSE suggests that the "clean energy compliance report" outlined in draft WAC 480-100-665(1) should be called a "Clean Energy Implementation Report." This would better match up with the term "implementation period" used in Draft WAC 480-100-655.

9. In draft WAC 480-100-665, Reporting and compliance, the discussion draft implies that the utility must demonstrate that the utility has met both its specific and interim targets while also demonstrating that it is making progress towards meeting its clean energy standards, as described in draft WAC 480-100-650. It is possible that a utility could demonstrate that it will likely meet the clean energy standards, or is meeting the clean energy standards, but may not meet a specific target. Should the Commission always issue a penalty to a utility for failing to meet a specific target or should it take into consideration the utility's achievement for the clean energy standard, interim target, and other specific targets?

PSE Response:

No. See response to Question 7 above. It is important the Commission retain flexibility and discretion in determining whether a utility has made "reasonable progress" towards meeting the standard under RCW 19.405.040(1) and .050(1). A utility may be making "reasonable progress" on balance, but fall short of achieving a specific target. For example, a utility's CEIP may set targets for renewable and non-emitting energy, with specific actions informed by the utility's historic performance under median water conditions. In practice, however, actual water conditions will vary, so actual generation may not line up exactly as reflected in the target.

The Commission should take into consideration the totality of the circumstances when reviewing the utility's progress towards meeting the standard under RCW 19.405.040(1) and .050(1), as well as interim and specific targets, but should not assess a penalty for failure to meet a specific or interim target. If the Legislature had intended for the Commission to assess a penalty for failure to meet a specific or interim target, the statute would have specifically provided such a penalty.

10. RCW 19.280.030(3) specifies when an electric utility must consider the social cost of greenhouse gas emissions when developing integrated resource plans and clean energy action plans. Draft WAC 480-100-675(1)(a) proposes rules that would require utilities,

when calculating the incremental cost of compliance, to include in their alternative lowest reasonable cost and reasonably available portfolio the social cost of greenhouse gas emissions, or SCGHG, in the resource acquisition decision. Please comment on:

(1) Whether the inclusion of the SCGHG is required in the calculation of the alternative lowest reasonable cost and reasonably available portfolio:

PSE Response:

No, the social cost of greenhouse gas emissions (SCGHG) should not be *required* to be included in the alternative lowest reasonable cost and reasonably available portfolio. Doing so would understate the potential rate impact of adding CETA compliant resources, potentially undermining the legislative intent of the 2% incremental cost provisions. The statute simply directs utilities to "consider" the SCGHG when developing integrated resource plans and clean energy action plans.

The statute in RCW 19.280.030 (3)(a), included below, is quite clear on when utilities should incorporate the social cost of greenhouse gas emissions in both planning and in investment decisions, but does not mention its use in the incremental cost of compliance:

> (3)(a) An electric utility shall consider the social cost of greenhouse gas emissions, as determined by the commission for investor-owned utilities pursuant to RCW **80.28.405** and the department for consumer-owned utilities, when developing integrated resource plans and clean energy action plans. An electric utility must incorporate the social cost of greenhouse gas emissions as a cost adder when:
>
> (i) Evaluating and selecting conservation policies, programs, and targets;
>
> (ii) Developing integrated resource plans and clean energy action plans; and
>
> (iii) Evaluating and selecting intermediate term and long-term resource options.

This language in RCW 19.280.030(3)(a) does not mention the Two Percent Alternative Compliance Mechanism.

RCW 19.405.060(5), which specifically addresses the Two Percent Alternative Compliance Mechanism only specifies that

> [t]he commission, for investor-owned utilities, and the department, for consumer-owned utilities, must adopt rules establishing the methodology for calculating the incremental cost of compliance under this section, as compared to the cost of an alternative lowest reasonable cost portfolio of investments that are reasonably available.

Notably, RCW 19.405.060(5) does not mention the social cost of greenhouse gas emissions. For the Commission to require the inclusion of the social cost of greenhouse gas emissions in the alternative lowest reasonable cost and reasonably available portfolio exceeds the plain language of, and policy direction outlined in, CETA. More fundamentally, any requirement to include the social cost of greenhouse gas emissions in the alternative lowest reasonable cost and reasonably available portfolio would diminish, rather than further, the objectives of the Two Percent Alternative Cost Mechanism.

(2) Is it still appropriate for the rules to require the SCGHG in the alternative lowest reasonable cost and reasonably available portfolio?

PSE Response:

No. Inclusion of the social cost of greenhouse gas emissions in making intermediate and long-term resource decisions is merely one part of how the Legislature intended to move utilities towards carbon-neutral resources by 2030 and carbon-free resources by 2045. The Two Percent Alternative Compliance Mechanism, however, is neither a planning nor an acquisition process. Instead, the Two Percent Alternative Compliance Mechanism promotes principles of gradualism and rate stability, and is intended to manage rate increases resulting from CETA to two percent a year.

With that goal in mind, the Two Percent Alternative Compliance Mechanism should most closely align to the actual change in rates that customers may experience. In draft WAC 480-100-675(1), Commission Staff proposes to calculate the Two Percent Alternative Compliance Mechanism based on

> the portfolio optimization modeling from the most recent integrated resource plan as the basis for calculating the alternative lowest reasonable cost and reasonably available portfolio to show the difference in portfolio choices and investment needs between the two portfolios.

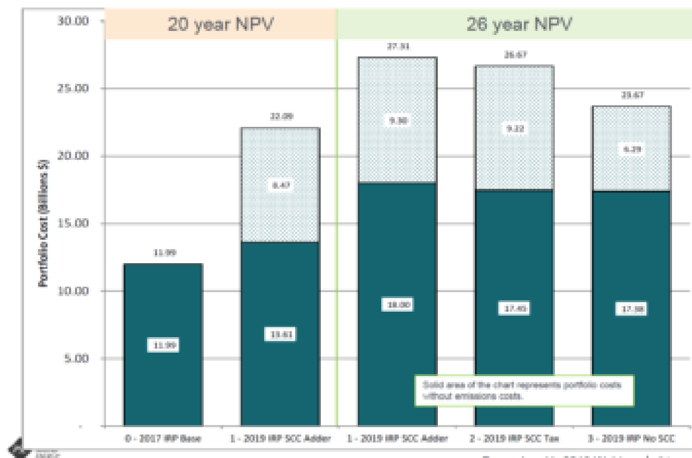
Resource portfolio models, such as those that PSE uses in its IRPs, are useful tools to compare the projected incremental costs of different energy supply portfolios. The models seek to minimize the incremental cost of each portfolio modeled on a present value basis, while meeting needs for capacity, energy, and renewable energy. The use of portfolio models to predict rate impacts, however, is not as useful.

Portfolio models solve for incremental portfolio costs as a whole and based on assumptions of future conditions, whereas actual rates are determined by the resources and other costs that are ultimately brought into the utility's operations, not the generic resources included in portfolio models. Moreover, it is important to note that the reductions in loads induced by the acquisition of energy efficiency resources amplify the near-term upward rate effects of these investments (i.e. where costs are increased and loads are decreased). IRP portfolio models are not intended to capture the totality of effects that influence the rates paid by customers.

In the workshop on March 17, 2020, Regulatory Assistance Project (RAP) outlined a number of methods for calculating incremental costs, including the planning resource portfolio method proposed by Commission Staff. Each of these approaches has benefits and drawbacks. As PSE indicated during the workshop, PSE favors a hybrid approach for the incremental cost calculation. Long term planning, through the IRP and Clean Energy Action Plan, would continue to use a portfolio model approach, but the CEIP would use an avoided cost approach. This is similar to methods in place today.

The inclusion of the social cost of greenhouse gas emissions does not make a significant difference in long-term resource modeling. The requirements of CETA will become the driving requirement in the portfolio model over the long term. PSE has previously shared this finding through its IRP workshop on the social cost of greenhouse gas emissions on December 11, 2019, where PSE showed that inclusion of the social cost of greenhouse gas emissions, as either a tax or an adder in CETA-compliant portfolios, does not significantly affect portfolio cost on a 26-year net present value (NPV) basis. To assist in review, PSE has included the relevant slide from that workshop below.

The social cost of carbon does not make significant long-term difference in modeled portfolio costs because CETA compliance drives the portfolio needs



- The analysis shown in the December 11, 2019 Social Cost of Carbon webinar also showed that in CETA compliant scenarios led to similar total portfolio costs on a present value basis

In the short term, though, PSE is concerned that the inclusion of the social costs of greenhouse gas emissions in the baseline of the portfolio model may obscure, rather than highlight, the rate impacts. In other words, the portfolio model approach does not seem like the best approach to calculate the incremental cost of CETA compliance in a predictable, transparent way.

For the CEIP calculation of incremental cost, the use of avoided cost filings already made by utilities may present a better approach. The most recent avoided cost filing made by PSE can be found in Docket UE-191062. This avoided cost filing establishes a base calculation of the cost of capacity and energy for purchases by PSE from qualifying facilities under the Public Utility Regulatory Policies Act of 1978. PSE uses a similar method for energy efficiency cost-effectiveness calculations. For purposes of the avoided cost calculation, PSE adds the social cost of greenhouse gas emissions for resources that emit greenhouse gases and are located in, or delivered to, Washington. Additionally, for natural gas generation fuel, the upstream greenhouse gas emissions are added to the emission rate of natural gas plants in PSE's portfolio.[4] In other words, the social cost of greenhouse gas emissions has already been factored into the resource decisions that form the basis for the power prices used in the avoided cost calculation. This approach seems to align well with the statutory direction in CETA to use the social cost of greenhouse gas emissions as a planning adder. This approach also allows for updates to consideration of costs of changing greenhouse gas policies within the review of the Commission, rather than the fairly inflexible approach of specifying a single greenhouse gas policy approach in rule.

Avoided cost filings are updated regularly, and new issues are introduced regularly. This is in stark contrast to IRPs, which would only be updated once every four years moving forward. This approach would put all resources used to implement CETA on similar footing, including incremental energy efficiency and incremental renewable energy, and incorporating value for capacity provided.

This method could also be implemented simply and transparently on a portfolio basis. The incremental costs that are "directly attributable to actions necessary to comply with the requirements of RCW 19.405.040 and 19.405.050" would include, but may not be limited to:

- The incremental cost of any resources above the avoided cost (excluding social cost of greenhouse gas emissions), which could include generation resources, energy efficiency not already cost effective, or demand response;
- The costs of any other programs, such as energy transformation projects, that support implementation of RCW 19.405.040 or .050;
- Other costs, such as grid modernization, but only as those are necessary to support the specific or interim targets; and
- Administrative costs necessary to design and implement the resources and programs used to meet RCW 19.405.040 and .050.

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[4] The greenhouse gas-equivalent prices for British Columbia and California are also included in the base scenario.

These costs could all be forecast as part of the CEIP and then tracked and reported. This method is consistent with existing practice and is much simpler to track than using portfolio models. To illustrate, PSE has included a simple diagram below:

PSE Proposal

Program	Baseline	Incremental towards 2%
Energy Efficiency	All Cost-Effective	Beyond cost-effective
Demand Response	Value of Capacity	Beyond cost-effective
Energy Resources	Avoided Cost	Above Avoided Cost
Other Programs	As otherwise required under law	Beyond current requirements
Energy Transformation Projects	None	As cost-effective compared to resources
Grid Modernization	As committed	As needed to support renewable requirements of CETA
Administration to achieve 2030 and 2045 targets	None	Incremental filing, reporting, and program administration
	Normal Rate Change	**Incremental Cost Budget**

PSE looks forward to discussing this potential approach at the upcoming incremental cost workshop on June 16, 2020, as well as considering other approaches.

(3) How inclusion of the SCGHG affects the calculation of the incremental cost of compliance

PSE Response:

In the method proposed by PSE above, the social cost of greenhouse gas emissions is embedded in the portfolio model that leads to the power price forecast. PSE has not modeled it separately at this point in time but would appreciate receiving reactions to its proposed hybrid approach outlined above.

11. Draft WAC 480-100-675(4), reported actual incremental costs requires the presentation of capital and expense accounts to be reported by Federal Energy Regulatory Commission (FERC) account. For the purpose of reporting electric retail revenues, should the Commission require utilities to use a standard list of FERC accounts as part of the incremental cost calculation?

a. If yes, please use the table provided below for discussion purposes to indicate if there are any FERC accounts listed that should not be included? Conversely, are there any FERC accounts that are not listed that should be included? Please include comment on the rationale to either include or exclude a particular FERC account.

FERC Account name	FERC account number
Residential Sales	440
Commercial and industrial sales	442
Public street and highway lighting	444
Other sales to public authorities	445
Sales to railroads and railways	446
Interdepartmental sales	448
Sales for resale	447
Other electric revenues	456
Revenues from transmission of electricity of others	456.1
Regional transmission service revenues	457.1
Miscellaneous revenues	457.2

PSE Response:

Yes. The Commission can require utilities to use a standard set of FERC accounts selected from the list provided, with modification, for determining the electric retail revenues to use for the incremental cost calculation. The use of a standard set of FERC accounts would simplify the process and ensure that only the appropriate amounts be used for the calculation.

RCW 19.405.060(3)(a) states as follows:

"…equals a two percent increase of the investor owned utility's weather-adjusted ***sales revenue to customers*** *for electric operations above the previous year, as reported by the investor-owned utility in its most recent commission basis report."*

Accordingly, the revenue derived from retail customers is the appropriate measure to use for determining the electric retail revenues for the incremental cost calculation. PSE's volumetric sales to retail customers are included in FERC accounts 440, 442 and 444.

- FERC 440 Residential Sales
- FERC 442 Commercial and Industrial Sales
- FERC 444 Public Street and Highway Lighting

These three FERC accounts comprise the amount reported on Line 1 "Sales to Customers".

Additionally, a portion of PSE's retail customer sales associated with the deferrals for its decoupling mechanism are reported in FERC account 456 along with other revenues that are not applicable to PSE's retail customer sales. Therefore, only a subset of FERC account 456—that which relates to PSE's decoupling deferrals—would be appropriate to include on the standard list. FERC account 456, along with multiple other unrelated FERC accounts is reported on Line 5 "Other Operating Revenues" on PSE's income statement.

The Commission could require utilities to report their retail customer sales for purposes of the incremental cost calculation based on a standard set of FERC accounts. For PSE, the relevant FERC accounts are as follows:

- FERC 440 Residential Sales
- FERC 442 Commercial and Industrial Sales
- FERC 444 Public Street and Highway Lighting
- Subset of FERC 456 related to the company's decoupling deferrals

PSE acknowledges that other utilities may require the use of additional FERC accounts to retail customer sales for purposes of the incremental cost calculation. Accordingly, PSE does not suggest that the four FERC accounts listed above are the only accounts relevant to the incremental cost calculation for all utilities. They are the only four FERC accounts currently relevant to the incremental cost calculation for PSE.

To further simplify the process, utilities could include a standard adjustment in their Commission Basis Reports that transfers decoupling deferrals from Other Operating Revenues (Line 5 below) to Sales to Customers (Line 1 below). Such an adjustment would allow the amount of retail customer revenues to include for the incremental cost calculation to be reported on the Sales to Customers line of each electric utility's Commission Basis Report.

PUGET SOUND ENERGY-ELECTRIC
RESULTS OF OPERATIONS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2019
COMMISSION BASIS REPORT

LINE NO.		ACTUAL RESULTS OF OPERATIONS	TOTAL ADJUSTMENTS	RESTATED RESULTS OF OPERATIONS
1	OPERATING REVENUES:			
2	SALES TO CUSTOMERS	$ 2,127,052,954	$ (130,407,992)	$ 1,996,644,962
3	SALES FROM RESALE-FIRM	351,396	1,380	352,776
4	SALES TO OTHER UTILITIES	196,946,670	-	196,946,670
5	OTHER OPERATING REVENUES	191,910,865	8,095,164	200,006,029
6	TOTAL OPERATING REVENUES	2,516,261,884	(122,311,448)	2,393,950,437

b. If no, please provide the challenges encountered by a standard FERC account listing.

Not applicable.

* * * * *

PSE appreciates the opportunity to provide comments in response to the Commission's Notice. Please contact Kara Durbin at 425-456-2377 for additional information about these comments. If you have any other questions please contact me at (425) 456-2142.

Sincerely,

/s/ Jon Piliaris

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cc: Lisa Gafken, Public Counsel
Sheree Strom Carson, Perkins Coie

Attachment:
Attachment A