

Richard Lauckhart Comments made at WUTC Public Meeting February 21, 2018 re PSE IRP

My name is Richard Lauckhart. I am an energy consultant and past VP at Puget.

I will be handing out hard copies of the written comments I filed in UE-160918 on January 8, 2018. They refer to 17 documents I provided for the record in this Docket UE-160918. This binder includes those 17 documents. There is a considerable amount of information in these 17 documents.

In my comments today, I will focus on a few key matters referred to in my January 8, 2018 written comments.

- 1) Part way down in page one I state *"It has been long WUTC policy that a prudent decision is one which a reasonable board of directors and company management would make given the facts they know, or reasonably should know, at the time they make the decision, without the benefit of hindsight."* I first became aware of this WUTC policy in the early 1980's when Puget was trying to get recovery for their \$128 Million share of the \$400 Million that had been spent on the Skagit Nuclear plant before it was cancelled. At that time there was not yet an IRP rule. Parties were arguing about what Puget knew (or should have known) and when (regarding the need for the Skagit Nuclear plant). In the end, the WUTC ruled that Puget should have stopped work on Skagit much earlier than it did. Puget was given a \$46 Million disallowance on the \$128 Million we had spent. Puget had to take a \$46 Million write-off.
- 2) Out of that contentious hearing, the WUTC and Puget and others felt it would be better for all stakeholders if the matters of "what is needed and when" were brought up well before Puget asked for recovery of the money it spends. That lead to the development of the WAC IRP Rule. The idea was to give Puget advance notice that future expenditures could likely be considered imprudent. I was the Puget person who was involved in working on that rule. The team working on that rule obviously included WUTC staff. In the end the parties were able to agree on what would be written in that rule without the need for a contentious hearing. Originally it was called a "Least Cost Plan", then changed to Integrated Resource Plan (IRP).
- 3) At (6) of the IRP rules it states *"The commission will consider the information reported in the integrated resource plan when it evaluates the performance of the utility in rate and other proceedings."*
- 4) As required by the IRP Rule, PSE has a chapter (Chapter 8) that discusses "Delivery Infrastructure Planning" including PSE's analysis of the need for Energize Eastside. Chapter 8 is completely inadequate to demonstrate that a decision to build Energize Eastside would be a prudent decision.
- 5) the Power Flow (aka Load Flow) modeling performed by PSE/Quanta to demonstrate a need for the Energize Eastside project is flawed. The primary problems with their Load Flow modeling is that:
 - (a) They erroneously assumed that the proposed Energize Eastside project must increase the ability of BPA to move **large amounts of power to** and from **Canada** during extremely cold temperatures in the Puget Sound region, and
 - (b) They erroneously assumed that essentially all of their owned/controlled power **plants located in the Puget Sound region** would **not** be **operating** during this extremely cold event.

(c) With their scenario PSE ignores the Puget Sound Area voltage collapse problem that I first talked about in the Puget 1992 IRP (aka Least Cost Plan). See page 36 of the transcript from the May 26, 1992 public hearing on that plan Docket No. UE-910151.

- 6) **The Lauckhart-Schiffman Load Flow study is on the record in this proceeding. The only Load Flow study on the record in Docket No. UE-160918 that uses the load forecast PSE gave to the Western Electricity Coordinating Council, correct inter-regional flows, appropriate generation dispatch, and avoids the voltage collapse problem. That study concludes that Energize Eastside is not needed now or any time soon. [See Supporting Document 1]**
- 7) Clearly now is the time that PSE needs to demonstrate the need for the Energize Eastside Project. There is plenty of information in documents on record for this PSE IRP Proceeding (Docket No. UE-160918) that makes it clear that Energize Eastside is not needed. I believe that the Record before you, the WUTC Commissioners, provides ample evidence for you to find in your Order on this PSE IRP that evidence as of the date PSE is making a decision to build Energize Eastside shows that such a decision to build the Energize Eastside project would not be a prudent decision.
- 8) **Regarding the Lake Hills-Phantom Lake 115 KV transmission line: Not properly studied...not needed.** There has been no substantive review of this transmission project in this or in any previous IRP. As such, PSE has not complied with the IRP rule on this project. Further, PSE has failed in its duty to properly analyze the need for this transmission line. The City of Bellevue and PSE were advised by the City's consultant, Exponent, in 2012 that "looped 12.5 KV distribution" could be an alternative to the Lake Hills transmission line. But PSE failed to analyze this alternative. A prudent utility would analyze this alternative before making a decision to build this transmission line.
- 9) PSE has not adequately studied the need for the Lake Hills-Phantom Lake Transmission line either in its IRP or elsewhere by not looking at the Distribution solution. That being the case the WUTC should state in your Order on this PSE IRP that this Commission would deem it imprudent for purposes of rate recovery if PSE builds the line and asks for it to be included in ratebase in the future.
- 10) **What would motivate PSE to want to build these two transmission projects (Energize Eastside and Lake Hills-Phantom Lake) that are not needed?** The answer lies in the Macquarie investment objectives it had when it decided to buy all of the common stock of Puget nearly 10 years ago. Adding transmission ratebase increases their profits without requiring competitive bidding by third party suppliers that must be done when adding new generation. *See Supporting Documents 5 and 6.*

In Conclusion:

Your Order on this IRP should accomplish what was intended when the IRP process was set up in the 1980's. It should give PSE advance notice that any decision they make to build (a) Energize Eastside or the (b) Lake Hills-Phantom Lake transmission projects would be imprudent based on the information that is available now when they are making these decisions.

I leave you with a copy of these comments. Thank you for your attention.