

**U-240281**

February 20, 2025

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Jeff Killip  
Executive Director and Secretary  
Washington Utilities and Transportation Commission  
621 Woodland Square Loop SE  
Lacey, Washington 98503

**Re: Comments of Puget Sound Energy in response to January 17, 2025 Notice  
Docket U-240281, Integrated System Plan Rulemaking**

Dear Director Killip,

Puget Sound Energy (PSE) submits these comments in response to the January 17, 2025 Notice of Opportunity to File Written Comments (Notice) issued by the Washington Utilities and Transportation Commission (Commission) in this docket. In the Notice, Commission staff (Staff) provides draft integrated system plan (ISP) rules, as required by Revised Code of Washington (RCW) 80.86.020. The Notice seeks comment on the draft ISP rules, shown as Staff's proposed Chapter 480-95 Washington Administrative Code (WAC), and seven specific questions. PSE begins with general comments discussing certain topics not covered in the Notice questions and then responds to the questions contained in the Notice. PSE provides clean and redlined versions of the proposed draft rules (excluding PSE's proposed cost test rules, which were provided in PSE's January 8, 2025 comments in this docket) as attachments to these comments.

### **General Comments**

#### **I. Appropriate ISP structure and content**

As discussed in PSE's October 21, 2024 comments in this docket, the organizational structure of these rules is important, as the ISP will consolidate the planning requirements of several different statutes, all of which must be followed. PSE prefers the organizational structure that it proposed in its October 21, 2024 comments and redlines, which sought to streamline relevant sections of the existing rules, while keeping statutory requirements distinct in the ISP rules. However, due to the complicated nature of this task, PSE has taken a different approach in the proposed draft rule redlines provided here, in an attempt to keep statutory requirements clear while aligning with the structure proposed by staff. Namely, this set of proposed draft rules redlines contemplates PSE continuing to comply with the primary Clean Energy Transformation Act (CETA) rules governing clean energy implementation plans (WAC 480-100-610, WAC 480-100-640 (except 640(11)), 480-100-660, and WAC 480-100-665) that apply to all electric investor-owned utilities. Instead of taking an approach where much of the existing Clean Energy

Implementation Plan (CEIP) specific rule language is repeated and applied more broadly to an ISP, PSE proposes that the CEIP portions of an ISP continue to be governed by the existing CEIP rules, and that the new ISP rules focus on parameters that are necessary for developing the broader integrated system plan for PSE. One benefit of this approach is that it maintains parity across the three investor-owned utilities in terms of the primary CEIP requirements for compliance. Another benefit is that it will significantly streamline the new ISP rules.

PSE's approach and redlines still necessitate a large combination utility to be specifically exempted from WAC: 480-100-620 (Content of an integrated resource plan), 480-100-625 (Integrated resource plan development and timing), 480-100-630 (Integrated resource planning advisory groups), 480-100-640(11) (Biennial CEIP update), 480-100-645 (Process for review of CEIP and updates), 480-100-655 (Public participation in a CEIP), WAC 480-109-210 (Renewable portfolio standard reporting), and WAC 480-90-238 (Gas integrated resource planning).

## **II. Emission reduction requirements**

PSE reiterates its previous comments that the Washington State Decarbonization Act for Large Combination Utilities (Act) requires utilities subject to the Act to include scenarios with emission reduction targets in their ISPs. It does not require the establishment of or commitment to targets for either electrification or emissions reductions. PSE provides redline suggestions to ensure the draft rules are consistent with RCW 80.86.020 in this regard.

## **III. Improving efficiency and transparency of implementation period actions**

The primary objectives of the new requirements in the Act are to reduce regulatory barriers, achieve equitable and transparent outcomes, and integrate planning requirements for a large combination utility.<sup>1</sup> PSE has given considerable thought to how regulatory processes can be improved to facilitate achieving the outcomes of state laws related to clean energy in a more efficient and transparent manner. This process spans resource planning, program development, implementation, and resource acquisitions. However, the lines between these activities are blurred and not always clear, especially to external parties. As PSE has tried to define these different activities throughout this rulemaking, and in previous rulemakings for CETA, a tension has emerged in trying to fit information from other steps in the overall process, such as resource acquisitions and program development, into resource and system planning. Take, for example, continuing tensions over the level of specific actions that can be provided and detailed in a resource plan.<sup>2</sup>

A key difference between an ISP and prior resource plans is that the Commission will approve the ISP. Given this important difference, it is worth considering how this approval process can lead to more efficient and transparent outcomes. In redlines to draft WAC 480-95-060, PSE proposes changes to resource acquisition rules in existing WAC 480-107. These

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<sup>1</sup> See 80.860.020(1).

<sup>2</sup> For example, see the Prefiled Direct Testimony (July 11, 2022) of Kara Durbin, Exh. KKD-1T, in Docket UE-210795, beginning at page 27, line 8.

changes will increase PSE's ability to comply with CETA, facilitate regulatory efficiency, reduce administrative costs, and improve the transparency of the overall process.

PSE's redlines provide flexibility to issue electric requests for proposals (RFPs) in a manner that flows more directly from the electric-planning aspects and specific actions that will be approved by the Commission, based on the facts and analysis in the ISP process. Currently, WAC 480-107-009 requires that RFPs issued pursuant to resource plans *must* be "all-source" procurements in which any resource type can bid. PSE has found that this requirement inherently slows down the RFP process due to the need to re-do the analysis from the resource plan. Since the Commission will already be approving an ISP (unlike the prior electric resource planning process), it may become unnecessary to then re-do the analysis from the ISP proceeding when issuing RFPs. To the extent the conclusions and facts from the Commission's approval of an ISP implementation plan can be carried forward to subsequent proceedings, PSE will be able to fulfill regulatory and statutory obligations at a faster pace, without unnecessarily repeating the analysis external parties are already familiar with from the ISP process.

As an additional step to increase regulatory efficiency, PSE's redlines would allow the Commission to approve independent evaluators and other appropriate RFP elements as part of the ISP process. This requirement would make the regulatory process for acquisitions more efficient and facilitate PSE's ability to comply with statutory and regulatory obligations, without sacrificing transparency.

PSE's redlines also propose a standard exemption for small or short-term procurements under certain thresholds. The purpose of this exemption would be to ensure that the Chapter 480-107 WAC requirements only apply to resources of significant investment and do not interfere with PSE's ability to operate its electric system in a safe, efficient, and reliable manner. PSE has found over the last several years that the requirement to file an RFP and wait 30 days prior to accepting bids has slowed certain short-term acquisition processes that appear outside the overall intent of Chapter 480-107 WAC. On the flipside, to increase regulatory transparency and efficiency of RFPs that are not exempt from Chapter 480-107 WAC, PSE's proposed redlines include a process for Commission approval of filed contracts, providing for increased oversight of the acquisition actions that occur during the implementation period of an approved ISP.

Finally, PSE's redlines add two definitions ("request for proposals" and "targeted RFP") consistent with WAC 480-107 that are needed for proposed redlines related to the ISP implementation plan. Overall, these improvements will help facilitate large combination utilities execution of approved ISP implementation period actions and provide more transparency in the process.<sup>3</sup>

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<sup>3</sup> A salient example of another state with planning and acquisition processes similar to the changes proposed above is Minnesota. Like Washington, Minnesota has aggressive climate goals (in Minnesota's case, 100% clean energy by 2040). To help meet these goals, utilities in Minnesota often use targeted RFPs to acquire large amounts of resources, based on Minnesota Public Utilities Commission (MPUC) orders approving the utility's resource plans with modifications. For example, Xcel Energy completed a process acquiring ~1,500 MW of wind in an approximately 6-month period (see MPUC Docket E002/M-16-777).

#### **IV. Other procedural topics**

In addition to objecting to certain requirements regarding data disclosure (see response to Notice question 6 below) and requiring a midway update (see response to Notice question 7 below), PSE has several general recommendations for the procedures proposed in the draft WAC 480-95-080.

First, PSE recommends making public participation its own section (480-95-090) with more extensive requirements borrowed from CETA. Under this approach, PSE would be exempt from the CEIP-specific public participation rules in WAC 480-100-655, which do not align well with the ISP development process timeline. Instead, in PSE's proposed WAC 480-95-090, the CETA public participation rules are emulated and expanded to apply to the engagement needs and requirements for the integrated system plan. This modification improves clarity for all parties involved as it creates clear ISP public participation requirements in one location.

Second, PSE recommends modifying the "Timing" section of draft WAC 480-95-080 to allow the Commission to set future timelines on a schedule based on facts known at the time. The Commission will have better information regarding future timelines after it completes review of PSE's first ISP. It is unnecessary and potentially harmful to set future timelines by rule when a full ISP process has not yet been completed. Relatedly, PSE also recommends removing the specific timing references in the definition of "implementation period" to maintain flexibility.

Third, PSE recommends modifying the "ISP work plan" section of draft WAC 480-95-080 so it is not overly prescriptive. For an administrative rule, PSE's proposed modifications in the attached redlines are more than sufficient. Staff and interested parties can request additional work-plan-related information as necessary and PSE will provide this information as appropriate.

Fourth, PSE strongly objects to the filing of a draft ISP in a formal Commission process as envisioned by the "Draft ISP" section of WAC 480-95-080. In prior resource planning processes, PSE filed a draft resource plan, parties would comment on the plan, and the process would conclude by PSE filing a final plan. For the ISP, this process is replaced (by statute) with PSE filing a proposed plan, parties commenting on the plan, and the process concluding with the Commission approving a final plan with any needed modifications. Therefore, it would be duplicative, confusing, and a poor use of resources to have two sequential formal processes performing the same review (one for a "draft" proposed ISP and another for a "final" proposed ISP).

Additionally, PSE points out that the ISP is, by its very nature, a process that includes significant external engagement. PSE will be engaging and sharing draft materials with Staff and external parties during the entire ISP development process. Through avenues such as the Resource Planning Advisory Group (RPAG), PSE gains valuable input on its ISP throughout the process. For example, Staff and interested parties recently provided helpful feedback regarding PSE's draft scenarios and PSE intends to provide updated scenarios at its upcoming RPAG meeting. PSE is committed to using the RPAG and other public participation processes to continue sharing draft materials as it develops the ISP. With this continual engagement process, the ISP to be filed by April 1, 2027 should not be a surprise, as PSE, Staff, and interested parties will have been reviewing its development and draft analysis along the way. PSE will therefore be

able to vet important concepts and analytical processes as it goes, but without the need for a confusing, time-intensive, and duplicative formal process.

**V. Streamlining reporting for renewable energy targets established in RCW 19.285.040 (Energy Independence Act (EIA))**

As noted in PSE's October 21, 2024 comments, further simplification of the reporting requirements associated with the renewable energy targets established in the EIA are warranted, as those targets are eclipsed by the more recent CETA target requirements. Please see PSE's redlines for suggestions that meet the statutory requirements but dispense with outdated and cumbersome regulatory requirements.

**VI. Transportation Electrification Plan (TEP)**

PSE continues to recommend that its TEP be optional to include in the ISP. Given the breath of work required for the first ISP, the ongoing Commission policy docket exploring transportation electrification guidance (UE-160799), and other factors, PSE does not plan to integrate its TEP into the first ISP. PSE will consider consolidation of the TEP in future ISPs.

**VII. Miscellaneous recommendations**

PSE's redlines propose slight changes to a few definitions in draft WAC 480-95-020. First, redlines to "alternative lowest reasonable cost and reasonably available portfolio" intend to limit the content to elements related to planning, but do not change the overall meaning of the definition. PSE also recommends removing the definition for "integrated resource plan," as this term is not used in subsequent sections of the draft rules. In addition, PSE finds the changes from the statutory definition of "lowest reasonable cost" confusing and recommends keeping the definition consistent with the statutory definition in RCW 80.86.010.

PSE also includes simplifying edits throughout the draft rules, especially where terms or phrases have unclear or ambiguous meanings. These simplifying edits aim to clarify requirements in a manner that will help PSE fulfill the intent of the rules.

**Responses to Notice Questions**

- 1. Reorganization. While much of the language has not changed since the last draft, Staff has reorganized the draft rules in order to help streamline them. Do you believe the reorganization is a net positive change to the draft rules? Do you have any suggestions for alternative organizations (major or minor)?**

PSE appreciates Staff's attempt to reorganize the draft rules in an effort to streamline. While this set of draft rules overall has noticeably improved since the last version, PSE does not see the reorganization itself as streamlined or as a net positive change. For example, Staff's proposed reorganization appears to have co-mingled the CETA statutory obligations (reflected in existing rules) with some of the ISP analytical elements outlined in HB 1589. To avoid this result, as explained in PSE's comments above, PSE has suggested an alternative structure in which PSE continues to comply with the primary CEIP requirements in Chapter 480-100 WAC,

while the ISP rules focus on the parameters necessary to govern the integration of the various planning efforts under an ISP.

2. **Purpose.** In this draft of the ISP rules, Staff proposed removing the explicit purposes in each section in favor of a single purpose section for the ISP as a whole. Do you believe there is a reason to have purposes (plural) for different sections of the ISP rules, or is it more appropriate to describe one overarching purpose of the ISP? In either case, please describe why.

PSE believes it is more appropriate to have one overarching purpose of the ISP. This structure is simpler, clearer, more concise, and more consistent with pre-existing rules.

3. **Definitions.** Staff proposes three new definitions in this draft of the ISP rules.

- a. **Commercially feasible.** Do you believe the definition proposed in these draft ISP rules for “commercially feasible” is appropriate given the places in statute and these draft rules where that term appears? Please explain why.

PSE supports defining “commercially feasible”, but notes that the term “technically feasible,” used alongside “commercially feasible” in the Act, should also be defined. Staff’s current definition of “commercially feasible” seems more appropriate as a definition for “technically feasible.” As pointed out in PSE’s October 21, 2024 comments, technically feasible seems to be a reasonable proxy for achievable technical potential, while commercially feasible is better defined by information regarding local markets. Consequently, PSE recommends adopting staff’s definition for technically feasible and suggests a definition for “commercially feasible” in the attached redlines. PSE’s definition also clarifies that “commercially feasible” and “technically feasible” as defined only apply to the 2% conservation and 10% demand response targets in RCW 80.86.020, since these terms could be used in other contexts.

- b. **Commercially available.** Do you believe it is important to define this previously undefined term? If so, do you believe Staff’s proposed definition is appropriate? Why or why not?

PSE is comfortable defining “commercially available” as long as the definition is reasonably simple and aligned with common-sense notions. If Staff prefers to define this term, PSE would propose modifying Staff’s initial definition to clarify that commercially available refers to availability for purchase within the implementation period. PSE prefers this definition to “put into commercial operation supporting utility service,” which is somewhat unclear and potentially not applicable to certain resources and measures. For example, it is unclear whether demand-side resources installed by residential customers would be in “commercial operation.” PSE also notes that defining commercially available is not necessary since this term has been used in previous statutes and rules without definition.

- c. Nonwires solution. Do you believe it is important to define this previously undefined term? If so, do you believe Staff's proposed definition is appropriate? Why or why not?**

PSE supports defining "nonwires solution." A definition for this term will avoid potential confusion. Staff's definition is consistent with the definition PSE proposed in its October 21, 2024 comments.

- 4. Cross-cutting assessment and planning requirements. Staff attempted to consolidate any overarching requirements that apply to all sections of the ISP into draft WAC 480-95-030.**
- a. Are there any requirements within this section that you do not believe should apply to all parts of the ISP? Are there any requirements missing from this section?**
  - b. Are there other sections of the draft ISP rules that contain these requirements that no longer need to include them given they are now covered by this overarching requirements section?**

The 2% and 10% requirements in Staff's proposed WAC 480-95-030(4)-(5) regarding conservation, energy efficiency, demand response, and demand flexibility are taken from RCW 80.86.020. These requirements are repeated in Staff's proposed WAC 480-95-050. These requirements only apply to the electric portions of PSE's ISP and consequently do not meet the intent behind this cross-cutting section. PSE believes these statutory requirements are more appropriately reflected in WAC 480-95-050; it may be confusing and unnecessary to repeat them multiple times throughout the rules.

- 5. Energy assistance potential. Language in draft WAC 480-95-040(1)(ii) comes from existing WAC 480-100-620(3)(b)(iii). Is there a more appropriate place for this language in the draft ISP rules than its current location? If so, where would you recommend putting it?**

PSE understands this question to refer to the proposed distributed energy resource energy assistance potential assessment. The location of this section seems appropriate.

- 6. Data disclosure. Planning analysis requires the use of large amounts of data and sometimes opaque and expensive modeling processes and software. Staff has taken commenters' feedback into account and attempted to update draft WAC 480-95-080(3) to strike a balance, understanding software access and the sensitive data at issue are in tension with the need for transparency. Do you have any suggestions for changes to this language? If so, please explain your reasoning.**

Yes, PSE has suggestions for changes to Staff's proposed WAC 480-95-080(3).

Regarding the proposed WAC 480-95-080(3)(a), PSE will provide its data inputs in a native and easily accessible format. However, the proposed modifier to this requirement of "as soon as they are reasonably available during the [ISP] process" is unclear, unreasonable, and

unnecessary. PSE will provide this information when it files its ISP. This filing will initiate a formal process at the Commission and can then follow the Commission's established procedures regarding confidential information, data requests and discovery.

Regarding the proposed WAC 480-95-080(3)(c), PSE recommends deleting this language in its entirety. This language is unnecessary and potentially in conflict with pre-existing data sharing requirements. Instead, PSE will provide confidential information in accordance with pre-existing procedures and in compliance with pre-existing regulations governing these procedures.

Finally, regarding the proposed WAC 480-95-030(d), it would be simpler and more reasonable to stick to pre-existing procedures, which allow interested parties to use the intervenor funding process to obtain funding for software licenses for their participation in the ISP process. Under these pre-existing procedures, parties can request intervenor funding from the Commission as necessary and the Commission can make decisions regarding such funding on a case-by-case basis. Utilizing the intervenor funding process for any licensing needs provides for use of funding explicitly allocated for this purpose and provides a process through which decisions can be made by the Commission. In the absence of using this process, PSE has no budget for providing such licenses and there is no process for making decisions about which parties would be provided such licenses nor why an arbitrary number of three is the correct number.

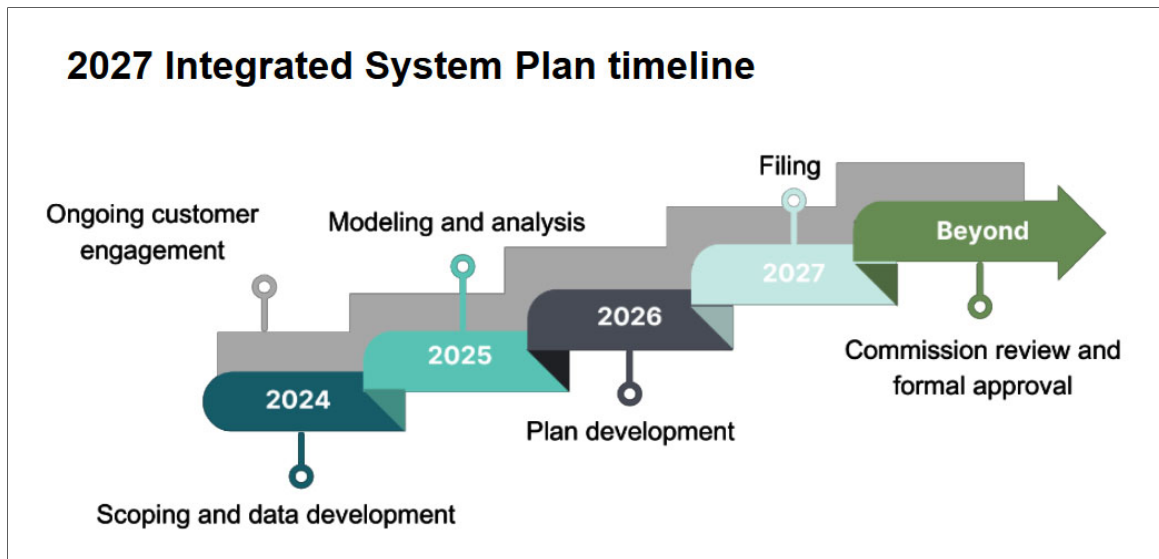
**7. ISP midway update. Staff proposes in these draft ISP rules certain conditions which, if met, would require a large combination utility to file a midway update approximately half-way through the four-year implementation period.**

- a. Do you believe a midway update is important, or is an ISP filing only every four years adequate?**
- b. Please comment on the conditions described in draft WAC 480-95-080(7)(a)(i)-(iii)? Are there any you would add, remove, or change? If so, why?**

PSE strongly objects to requiring a midway update by rule at this time. The ISP is a complex and time-intensive endeavor that includes significant external engagement. At least four years is required to complete a full and transparent ISP development and approval process, especially when factoring in the up to 12 months dedicated to the Commission's process to formally review and approve an ISP. For example, Figure 1 below shows PSE's 2027 ISP development timeline. For future ISPs, PSE does not anticipate there being sufficient time or human resources to develop a midway update and conduct the required external engagement.



**Figure 1: PSE 2027 ISP Development Timeline**



However, PSE recognizes that there may be circumstances that warrant updating some portions of an ISP. Staff's proposed conditions in draft WAC 480-95-080(7)(a)(i)-(iii) include some of the conditions under which a midway update may be appropriate; however, depending upon the triggering circumstance, the list of elements required to be updated in draft WAC 480-95-080(7)(b) may or may not be necessary. PSE recommends removing this requirement and revisiting it during the approval process for the first ISP, when the Commission could issue a requirement as part of its order on the first ISP after having the benefit of one ISP cycle come to conclusion.

### **Conclusion**

PSE appreciates the continued opportunity to collaboratively develop rules applying to PSE's first ISP. If you have any questions about these comments, please contact Stephen Collins, Regulatory Affairs Initiatives Manager, at [Stephen.Collins@pse.com](mailto:Stephen.Collins@pse.com). If you have any other questions, please contact me at [Wendy.Gerlitz@pse.com](mailto:Wendy.Gerlitz@pse.com).

Sincerely,

*/s/ Wendy Gerlitz*

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### **Attachments:**

- Attachment A: PSE Proposed Redlines
- Attachment B: PSE Proposed Redlines (Clean)