

BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND)	
TRANSPORTATION COMMISSION,)	
)	
Complainant,)	DOCKET NOS. UE-111048
)	and UG-111049 (<i>Consolidated</i>)
vs.)	
)	
PUGET SOUND ENERGY, INC.,)	
)	
Respondent.)	
_____)	

REPLY BRIEF OF SIERRA CLUB

March 26, 2012

THE COMMISSION SHOULD OPEN A NEW DOCKET TO FULLY EXPLORE THE TRUE COSTS OF OPERATING COLSTRIP.

1. The Sierra Club and the NW Energy Coalition have offered testimony and arguments demonstrating the need for Puget Sound Energy (“PSE”) to conduct a comprehensive, forward-looking study on the continued costs of operating Colstrip in light of the financial risk posed by the cost of compliance with multiple new and proposed federal regulations. *See* Sierra Club Br. at 1-14; NW Energy Coalition Br. at 22-24. As the Sierra Club has shown, this study should take place under a separate docket that allows for full discovery under, if necessary, a confidentiality agreement. This docket should precede the Integrated Resource Plan (“IRP”) process so the results of the docket can inform the IRP process.
2. PSE vaguely asserted that the IRP process would be sufficient to work up the present, pending and future costs of operating Colstrip, without making any attempt to address the need for discovery of confidential information that makes the IRP process inadequate for the Colstrip study. PSE Br. at 24.
3. According to PSE, Sierra Club witness, Dr. Ezra Hausman of Synapse Energy Economics, concluded that the IRP process would be sufficient to take on these analyses. PSE has taken Dr. Hausman’s testimony out of context. Throughout, Dr. Hausman was clear that an IRP process could only be sufficient if all necessary conditions were met. One essential element of these conditions is full disclosure that can best, and perhaps only, be achieved through a robust discovery process. Therefore, Dr. Hausman’s testimony is not in contradiction with our recommendation: the UTC should institute an adjudicated proceeding before the 2013 IRP draft is submitted so that this IRP can incorporate the findings of the Colstrip operating costs docket.
4. PSE also asserted that a comprehensive study of the continued costs of operating Colstrip

would be outside the scope of issues addressed by the Commission because the Commission is a body of economic regulators, not environmental regulators. *See id.* PSE conveniently overlooked the fact that environmental regulations will require substantial expenditures—and such expenditures surely are within the purview of the Commission, as the Commission itself has recognized. *See* UTC Commission Comments on PSE’s 2011 IRP, Docket Nos. UE-100961/UG-100960, Exh. No. JHS-35 CX at 6 (“PSE should conduct a broad examination of the cost of continuing the operation of Colstrip over the 20-year planning horizon, including a range of anticipated costs associated with federal EPA regulations on coal-fired generation.”); *see also* Testimony of Dr. Ezra Hausman, TR. 495:23-496:15 (“costs of complying with environmental regulations is very much in [the Commission’s] purview”).

5. PSE’s dismissive treatment of Sierra Club’s proposed study only reinforces the need for the Commission to order the study. No other party to this proceeding has objected to such a docket. Accordingly, Sierra Club respectfully requests that the Commission order PSE to conduct a Colstrip costs study in a separate docket and should establish a time line for that docket that will allow the final study to inform the IRP process, as Sierra Club and the Coalition have requested.

Respectfully submitted this 26th day of March, 2012.

/s/ Gloria D. Smith

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