

October 3, 2022

Amanda Maxwell
Executive Director and Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

RE: PSE General Rate Case (Docket UE-220066) Public Comment

Dear Executive Director Maxwell,

I am a resident in the geographic area that will be covered by the increased rates requested in the Rate Case referenced above. I have been continuously following the progress of the Transmission Project known as Energize Eastside since the early days of the public process for route selection. I am specifically concerned at this time with PSE's request to charge ratepayers \$300 million for a large transmission project known as "Energize Eastside." This expensive project accounts for a significant percentage of PSE's requested rate hike.

Executive Summary

Energize Eastside fails to meet all four of the Commission's stated criteria for establishing prudence:

1. **Need for the Resource:** PSE is required to determine whether the new resource is necessary, and that it meets the need in a cost-effective manner. CENSE will show that there are significant questions about both the need and the cost-effectiveness of a transmission upgrade compared to other alternatives.
2. **Evaluation of Alternatives:** PSE has done a poor job of considering combinations of demand resource, electrical efficiency, energy storage, and demand response. Even if these resources were not mature in 2013 when the project was first announced, they are certainly capable of meeting the reduced need now. This is relevant because at least half the project has not yet been permitted in local land use hearings. The prudent utility would reevaluate the situation before proceeding with a land use hearing in the near future.
3. **Communication with and Involvement of the Company's Board of Directors:** In response to CENSE Data Requests, PSE has produced no evidence to demonstrate that the Board of Directors was given sufficient detail to make informed decisions about the prudence of the project.
4. **Adequate Communication:** CENSE has tried to obtain data regarding need and alternatives, but PSE has refused to answer our questions. We do not know how much electricity Eastside communities are using during summer and winter peaks. Neither CENSE nor the Commission can ascertain the prudence of Energize Eastside when PSE withholds such basic information.

Questions about the wisdom of proceeding with Energize Eastside have intensified since the passage of the Washington Clean Energy Transformation Act. The project does not appear to align with goals established by the state legislature. Ratepayer funds should instead be invested in technologies that improve reliability while also reducing harmful emissions.

CENSE status

CENSE participated in PSE's General Rate Case as a recognized intervenor. Through the Rate Case process, we hoped to resolve long-standing questions about Energize Eastside. We submitted 56 Data Requests intended to clarify the need for the project, the costs and benefits for ratepayers, and the feasibility of alternative solutions.

To cover the cost of experts and an attorney, CENSE asked the Rate Case Administrative Law Judge (ALJ) to provide \$80,000 from a fund established by the Commission specifically to allow non-profit organizations to participate in the Rate Case. Unfortunately, the ALJ awarded CENSE only \$15,000, less than a fifth of our reasonable need. While that was enough to pay our attorney to submit our Data Requests and respond to objections from PSE and the Alliance of Western Energy Consumers, we are disappointed that these funds did not allow continued participation in the process. We are frustrated that PSE refused to answer almost all our Data Requests.

Brief history

PSE has asked the Commission to provide an unprecedented determination of prudence for an incomplete project that remains partially unpermitted. A brief review of the project's history is useful to provide context for our subsequent comments:

1. PSE announced Energize Eastside to the public in late 2013. The company chose to pursue a cumbersome and costly process of obtaining land use permits in each of the four affected cities, rather than having a one-year review by the Washington State Energy Facility Site Evaluation Council (EFSEC). This decision was puzzling given PSE's claim of imminent blackouts. Did PSE think it would be easier to convince city staff and councils of the merits of the project, rather than enduring thorough technical review by experts in EFSEC?
2. In 2014, PSE ran a "Community Advisory Group" comprised of company-selected representatives from neighborhoods, civic organizations, and city staff. The group considered alternative routes for the overhead transmission lines. However, participants were not allowed to discuss alternative solutions. In late 2014, the group voted to keep the transmission lines in the current utility corridor, but most of the neighborhood representatives and the City of Newcastle refused to endorse the official report and instead signed a "Minority Report" that detailed many shortcomings of the process.
3. In 2015, PSE updated the "Eastside Needs Assessment," the foundational study establishing a need for the project. Winter peaks drove the primary need for the project, and PSE forecast a whopping 2.4% annual increase in winter peak demand. Increases of this magnitude have not occurred within PSE's service territory. In more recent Integrated Resource Plans, demand forecasts have been much lower, especially after applying Demand Side Resources.
4. An Environmental Impact Statement (EIS) was completed in 2016. No alternative based on solar panels and batteries was evaluated. The EIS explained that solar panels and batteries could help alleviate summer peaks, but they were not studied because they would not perform well for winter peaks.

5. In 2017, PSE unexpectedly split the project into two parts. PSE said it would permit and build the southern half of the project first. Later, it would pursue permits for the northern half. As of August 2022, the company has not secured all the permits it needs to build the northern segment.
6. In 2019, a Hearing Examiner approved PSE's land use permit for the south segment in Bellevue. A similar permit was approved by Renton in 2020.
7. In 2020, the City of Newcastle engaged Synapse, an industry consultant, to confirm the need for the project, which hadn't been updated for many years. Due to low growth of winter peak demand, Synapse found that no foreseeable need for the project to serve winter peaks. Synapse identified a previously undocumented need to serve summer peaks throughout King County (not just the Eastside). But Synapse observed the need could have been avoided if PSE had pursued reasonable demand response during prior years.
8. In 2022, a Hearing Examiner determined that Energize Eastside was consistent with Newcastle's land use codes. The Examiner believed PSE's claim that only a transmission upgrade could serve summer peaks, despite CENSE testimony that other solutions would provide similar reliability, attractive economics, and lower environmental impact. A few months later, a Hearing Examiner in Redmond came to a similar conclusion, because that city's land use codes do not require any evaluation of need, alternative solutions, or economic considerations.

As of October 3, 2022, no hearing has yet been scheduled in Bellevue to consider the northern half of the project. Without guidance from the UTC, Bellevue's Hearing Examiner is likely to conclude that PSE has met the conditions to receive a land use permit. In this slow march to construction, it is notable that no elected or appointed representative has the necessary background to judge the true merits of PSE's proposal. The present Rate Case is the only forum where decision makers with industry experience will consider our long-standing questions about Energize Eastside.

Prudence questions

Through Data Requests, I am aware that CENSE tried to discover basic facts about Energize Eastside that are relevant to a determination of prudence for ratepayers. PSE refused to answer. Here are some of the questions that the Commission should consider before charging ratepayers for Energize Eastside.

1. **How much electricity is the Eastside using during summer and winter peaks?** In its 2015 Eastside Needs Assessment, PSE anticipated demand growth of 2.4% per year, apparently even after the mitigating effects of Demand Side Resources. No demand forecast in PSE's subsequent IRPs have come close to showing such explosive growth. Is the Eastside an anomaly within PSE's service area?

Jens Nedrud, PSE's Manager of System Planning, appeared as an expert witness at Newcastle's land use hearing earlier this year. During cross examination, Mr. Nedrud was asked how high peak demand is on the Eastside today. Mr. Nedrud said he didn't know. Considering Mr. Nedrud's current position in the company and his previous role as the manager of the Energize Eastside project, his ignorance regarding this central question is shocking. Is it possible that the

company's planners and decision makers don't know what the level of peak demand actually is? Is that a prudent way to run a utility?

2. **Are ratepayers obligated to pay for improvements to benefit out of state customers?** PSE claims that it must maintain huge transfers of electricity to Canada (1500 MW in the winter) and California (2850 MW in the summer), even if such transfers occur during an Eastside outage scenario on a very cold or hot day. These transfers add about 270 MW of load to the Eastside grid, which is significant during an N-1-1 outage. PSE appears to ignore the fact that curtailment of such transfers has happened during peak demand events in the past. These curtailments might affect utilities in Canada or California, but not PSE's customers. If those utilities insist on receiving this electricity even when PSE's customers are at risk of blackouts, shouldn't they help pay for a transmission upgrade rather than local ratepayers? The Commission appeared to have concerns about this issue in its 2017 letter responding to PSE's 2017 IRP.
3. **What standards apply during an N-1-1 contingency?** PSE admits that blackouts caused by the extreme scenario described in the Eastside Needs Assessment reports have never happened. The blackouts are unlikely to occur in the future. However, PSE claims NERC TPL-001-4 standards provide little flexibility in how PSE responds to the threat. If two transformers fail, PSE says NERC requires the company to maintain service to all its customers. CENSE believes this N-1-1 contingency is described on page 9, row P6 of the TPL-001-4 standard.¹ After loss of two transformers, NERC allows "Interruption of Firm Transmission Service" and "Non-Consequential Load Loss." Can the Commission clarify what standards PSE is required to meet?
4. **Is it reasonable to add generation outages to the N-1-1 contingency scenario?** In addition to peak demand growing at a 2.4% annual rate, large flows of electricity to out-of-state utilities, and a questionable N-1-1 requirement, PSE also assumes that 1,827 MW of generation is not available to serve peak demand.² The two remaining 230 kV transformers serving the Eastside take the brunt of this missing load and begin to overheat, necessitating PSE's project. But is it reasonable to assume the total unavailability of all five PSE-owned gas plants? The UTC mentioned this concern in its 2017 IRP response letter.

PSE had an opportunity to address these and other important questions as they were raised by stakeholders during Advisory Group meetings for the 2017 Integrated Resource Plan. Instead of discussing these concerns, PSE added a rather bland chapter to the 2017 IRP. No Advisory Group meetings were scheduled after the chapter was added, so stakeholders were never able to discuss it, ask questions, or suggest improvements. When the Commission asked a series of questions about the chapter in its 2017 IRP response letter, PSE provided no satisfactory answers.

Stakeholders continued asking questions during 2019 IRP Advisory Group meetings. PSE scheduled a meeting to discuss the issues, then postponed it, and finally cancelled it. Near the end of the 2019 IRP process, stakeholders asked if PSE would ever answer the questions posed by the Commission. PSE responded in writing with a single word answer: "No."

¹ <https://web.archive.org/web/20200919175449/https://www.nerc.com/files/TPL-001-4.pdf>

² [https://energizeeastside2.blob.core.windows.net/media/Default/Library/Reports/Eastside Needs Assessment Financial Draft 10-31-2013v2REDACTEDR1.pdf](https://energizeeastside2.blob.core.windows.net/media/Default/Library/Reports/Eastside_Needs_Assessment_Financial_Draft_10-31-2013v2REDACTEDR1.pdf), p. 32

Can a public process hindered by such stubborn opacity and lack of accountability be prudent for PSE ratepayers? A positive determination of prudence would only prolong this behavior in future projects and IRPs, making a mockery of public engagement. We urge the Commission to hold PSE accountable for essentially thumbing its nose at stakeholders and state regulators.

As a state sanctioned monopoly with no competitors, PSE should go the extra mile to demonstrate need and reasonableness of its projects. That is our understanding of our social contract with the company. PSE has violated this trust with Energize Eastside. Sadly, this is not the only violation. We see similar problems with the Tacoma LNG facility. It is time to hold the company accountable to ratepayers and regulators.

Prudence of the North Segment

As of August 2022, PSE is partway through construction of the southern half of the transmission line, known as the “South Segment.” Although CENSE feels this project was justified using questionable arguments and exaggerated forecasts, we would understand if the Commission felt it necessary to provide PSE with some rate recovery. One possibility is to hold PSE accountable to the company’s cost estimates. In a Community Advisory Group meeting held on June 25, 2014, PSE estimated the cost for different route options. The least expensive route was expected to cost \$154 million; the most expensive, \$289 million. The advisory group voted for the least expensive option using the existing utility corridor. Now PSE wants to charge ratepayers even more than the most expensive cost quote. What customer would willingly pay for a BMW and accept a Hyundai? For the South Segment, which comprises less than half the linear length of the project, the Commission should compensate PSE approximately half the \$154 million cost, no more than \$80 million (or \$97 million including inflation over the five years the project has been delayed from PSE’s original target date).

Construction has not started on the northern half of the project (“North Segment”). Considering that land use permits have not yet been granted, it’s a good time to ask whether further pursuit of this segment would be prudent. Everyone understands that circumstances have dramatically changed since PSE conducted its last assessment in 2015. With demand levels lower than PSE predicted, remarkable advances in the effectiveness of alternative technologies, and new urgency to transform our electric grid, PSE’s old plan is no longer the most prudent path forward.

Here are some of the specific changes that have occurred since 2015 that require another look to determine prudence of the North Segment:

1. **The South Segment may be enough.** PSE modeled Energize Eastside as a single project in its need assessments. Using a divide-and-conquer strategy to fragment opposition to the project in Bellevue, PSE divided Energize Eastside into two projects that could be independently permitted and built. No study has been published showing the North Segment is still needed after the South Segment is in service, powering a new 230 kV transformer in central Bellevue. Even in an N-1-1 scenario, the Eastside will now be served by three transformers instead of two. Is that sufficient to keep our lights on and prudently save ratepayers at least \$100 million? A detailed load flow study is needed to understand how the South Segment might serve various N-1-1 outage scenarios.

2. **Does a summer-only scenario change our requirements?** Newcastle’s consultant, Synapse, found that Energize Eastside is only needed to serve summer peak demand. A project designed to serve summer peaks will have different requirements than a project serving both summer and winter peaks. For example, solar panels are useful in summer, even if their benefits are limited in the winter. PSE’s 2021 IRP says that batteries are a good match for short summer peaks, while winter peaks can be considerably longer and fall outside the capacity of lithium-ion batteries.
3. **Would a big battery make a difference?** Renton is currently considering a proposal by a large company (Tenaska) to locate one of the world’s biggest batteries close to the Talbot Hill substation. Although the city hasn’t approved the project yet, EFSEC has the authority to overrule Renton’s land use codes if the battery provides sufficient advantages to the region. There are credible rumors that this isn’t the only battery under consideration to support clean energy goals mandated by the Clean Energy Transformation Act (CETA).
4. **Alignment with CETA.** CETA was not yet enacted at the time Bellevue approved PSE’s land use application early in 2019. Three cities held land use hearings after CETA passed, but none could find a way to apply a state-level mandate to their local land use regulations. However, the Commission can (and should) consider how CETA impacts the determination of prudence for PSE projects that haven’t been built yet. Non-wire solutions such as solar panels, batteries, and demand response would be more prudent investments for ratepayers because they provide a two-for-one benefit: they increase reliability while supporting a transition to a cleaner electric grid. By contrast, the Energize Eastside project supports the spirit of CETA only to the extent it enables a transition from natural gas to clean electricity. However, PSE has never made such an argument. Non-wire technologies offer a more obvious path to a carbon-free grid.
5. **Other regional changes.** Since PSE proposed Energize Eastside, significant changes have occurred to the north and south of the Puget Sound region.

When Energize Eastside was proposed in 2013, the Columbia River Treaty was still in effect, obligating the US to supply Canada with a certain amount of free electricity to compensate the country for dams north of the border that regulate seasonal flow in the Columbia River for our benefit. The treaty has now expired. Future negotiations are unlikely to require such transfers in the future.

In 2017, the Bonneville Power Administration cancelled the I-5 Transmission Corridor project, a big transmission line that PSE assumed would be in service in its Energize Eastside modeling. BPA cancelled its project because demand growth was less vigorous than the agency expected. Any residual growth could be served by smart management, batteries, and flow control devices. Similar solutions could address PSE’s concerns on the Eastside.

Because of these changes, regional flows will now be different than PSE modeled in 2013 and 2015. Updated modeling is needed before further construction of Energize Eastside can be found prudent. PSE has occasionally said that the BPA decision does not affect the need for

Energize Eastside, because our need is “purely local.” If the need is only local, PSE should not include large regional transfers in its justification of the project. On the other hand, if regional transfers must be maintained without curtailment, PSE has been negligent in refusing to model relevant changes in the regional need and infrastructure.

6. **Solar + storage.** The capabilities of solar panels and batteries have improved dramatically since PSE engaged Strategen to study the feasibility of a battery-based solution in 2018. The Strategen study is outdated for at least three reasons:
 - a. The study assumes that a battery solution must solve both a summer and winter contingency scenario. According to the Synapse study for the City of Newcastle, the winter scenario is now in doubt: “... we cannot conclude based on the data we analyzed whether there is a clear need for transmission capacity expansion for serving winter peak loads. PSE’s past winter peak load forecasts have over-predicted winter peak loads and the current forecast does not appear to fully incorporate either the declining trend seen in winter peak over the last decade or potential emerging conservation opportunities.” If the primary need is now focused on a summer problem, PSE’s 2021 IRP says: “Summer peaking events occur in the late afternoon/evening when the day is the hottest and only last a few hours in the evening. **Energy storage is a good solution for summer peaking events.**” This conclusion is not reflected in any of the modeling for Energize Eastside.
 - b. Based on data and constraints that PSE provided, Strategen’s 2018 study comes to some bizarre conclusions. For example, Strategen estimates that over 250,000 residential batteries (like Tesla’s Powerwall 2) would be needed to meet winter need. At 13.5 kWh each, that is a whopping 3,419 MWh of battery capacity, almost three times larger than the largest battery in the world (the 1,200 MWh Moss Landing Energy Storage Facility in Monterey Bay, California). We question whether a battery serving a summer scenario needs to be that enormous.
 - c. Strategen studied batteries in isolation. A prudent planner would pair batteries with demand response to economically reduce the magnitude of summer peaks. The planner would also consider relatively inexpensive solar panels to counter some of the afternoon air conditioning load. PSE’s 2021 IRP says, “Distributed energy resources, such as battery energy storage and rooftop and ground-mounted solar, play an important role in **mitigating transmission constraints.**” Shouldn’t a prudent utility publish a credible study to determine whether these technologies would mitigate the need for Energize Eastside?
7. **Demand response.** In 2014, PSE engaged E3 to study various non-wire alternatives, including demand response. E3 estimated that demand response would reduce demand peaks in King County by approximately 25 MW in 2021. That amounts to 1.0% of the 2443 MW peak load forecast for King County in 2021, as listed in Table 2-3 of the 2015 Eastside Needs Assessment. However, in its 2021 Clean Energy Implementation Plan, PSE estimates that its upcoming Time

Varying Rates pilot project will reduce peak demand by 5-6% on non-winter days, and possibly more than 10% on “event days” such as those modeled in PSE’s contingency scenarios.³ PSE eliminated demand response as a potential mitigation of Eastside loads, based on an estimate of demand response benefits that are *ten times lower* than the CEIP assumes.

8. **Other technologies.** Many other technologies have become feasible since PSE last looked. For example, a 2022 article describes the benefits of “Grid Enhancing Technologies” such as “Dynamic Line Rating” to significantly increase the capacity of transmission lines that are already in service, avoiding the need to invest in new poles and higher voltages.⁴

Power lines themselves have been redesigned to carry 2-3 times as much power without increasing voltage. A power line product named TSConductor encapsulates a carbon fiber core in pretensioned aluminum to protect against damage due to bending or crushing.⁵ The resulting power line is significantly lighter than ACSR wires. It is also stronger, more efficient, and less prone to sagging under load, the cause of a dangerous fire in the Eastside corridor during a hot summer day a couple of years ago. Although TSConductor was not available when PSE began planning Energize Eastside, it would be prudent for PSE to study the potential of this technology before proceeding with permit applications to build the North Segment of the project.

A journey of faith

When PSE announced Energize Eastside in late 2013, the company promised to work with communities during the following year to come up with the best possible solution. Residents were skeptical of the project, but most were impressed with the public outreach promised by PSE. We had faith in the power of discourse and compromise. However, PSE’s refusal to discuss any solution but an overhead transmission line led to disillusionment of members of the company-led Community Advisory Group (CAG), leading to the formation of CENSE in May 2014. CENSE members contributed to the “Minority Report” published in late 2014, the only document that was signed by any member of the CAG.

According to the Minority Report:

CAG members are well-informed individuals who had months to understand the issues. Therefore, we expected PSE would provide CAG members with more detailed information regarding the need for the project. There are many questions that members had. How has the Eastside’s electricity demand grown over time? Why is demand supposedly growing at a much faster rate than population or economic growth? Why is PSE’s projection of Eastside’s demand growth more than double that of Seattle’s or Portland’s? Would programs such as Demand Response help mitigate our demand growth?

PSE did not answer these questions, saying that they were outside the scope of the CAG’s stated

³https://irp.cdn-website.com/dc0dca78/files/uploaded/2022_0201_PSE%202021%20Corrected%20Clean%20Energy%20Implementation%20Plan.pdf, p. 115

⁴<https://www.canarymedia.com/articles/transmission/how-to-move-more-power-with-the-transmission-lines-we-already-have>

⁵<https://tsconductor.com/products/>

mission. The CAG was formed only to provide recommendations on which route the overhead lines should take through the five Eastside cities. PSE said that community input was not needed regarding any other aspect of the project.

In 2015, CENSE members met with UTC chairman Philip Jones, hoping that the Commission could provide some help with our dilemma. Commissioner Jones told us that the Commission had little power to tell PSE what it could or couldn't do for a particular project. According to Jones, the best way to influence PSE would be to join the IRP Advisory Group. We took his advice and started attending Advisory Group meetings for the 2015 IRP. Several CENSE members have been attending these meetings ever since. Our efforts seemed to gain traction when the Commission raised similar questions about Energize Eastside in its response letter to PSE's 2017 IRP. However, PSE refused to provide substantive answers to the questions posed by the Commission, and we wonder if there will be any consequence for PSE's lack of transparency in this regard.

Also in 2015, CENSE spent a considerable amount of time and money working with EQL Energy to describe non-wire alternatives that could meet any documented need for Energize Eastside. We submitted our study for consideration in the Phase 1 EIS for the project, having faith that the practical experience of an expert in Pacific Northwest energy solutions would facilitate consideration of non-wire alternative. However, PSE dismissed our report with the bland assertion that our recommended alternatives would fall short of meeting the need. We pointed out that the E3 study of non-wire alternatives had not considered batteries, and E3's assessment of demand response was significantly underestimated. Our recommendations seemed to fall on deaf ears.

In 2016, the City of Bellevue held a public Community Forum attended by hundreds of residents who offered several hours of testimony strongly critical of the project. We were inspired by the community's nearly unanimous rejection of the project. Behind closed doors, PSE may have begun formulating its "divide and conquer" strategy. The following year, PSE unexpectedly split the project into two segments, diluting the effectiveness of neighborhoods working together in north and south Bellevue.

In 2019, I am aware that CENSE engaged several experts to testify at Bellevue's land use hearing. Bellevue's land use codes explicitly require PSE to prove the need for an electrical facility such as Energize Eastside, and we were confident that PSE would have to divulge actual data about the Eastside's peak demand to meet the burden of proof. Amazingly, no such data was shared. In his final decision, the Hearing Examiner wrote, "Common sense supports [PSE's] concerns that extreme heat in summer months, or even like that experienced recently during the past month with area temperatures in the high 80s and low 90s, poses a very real risk of failure for a system that has not been upgraded for decades to address increased demand caused by significant growth in the Eastside of King County." The Hearing Examiner had to rely on his own "common sense" rather than actual data as the basis of his decision, because PSE did not show any numbers related to Eastside demand or transformer loading. And the Examiner did not require it.

In 2020, a similar land use hearing was held in Renton. CENSE again asked to see data on peak demand. Unlike Bellevue, Renton's land use codes do not require proof of need. On page 2 of his decision, Renton's Hearing Examiner nicely teed up the need for the UTC to consider the prudence of the project:

Perhaps the second most significant issue associated with the proposal is the need for the project. The Coalition of Eastside Neighborhoods for Sensible Energy ("CENSE") brought the need

for the proposal to the forefront by well organized and extensive documentation, qualified professionals, talented presenters and a large number of concerned citizens living throughout the Eastside. PSE “opened the door” on the issue by explaining why it needed to upgrade its project, i.e. to meet future electrical demand and to avoid blackouts. For this reason, CENSE was allowed to make its argument that there is no need and that alternative energy sources should be more effectively utilized.

CENSE’s participation in the process has clearly been in the public interest and has served the public good by bringing important energy issues into public debate. However, CENSE’s need issues are not pertinent to the review criteria of the conditional use permit under review. Conditional use permit review is focused upon land use impacts such as traffic, noise and impacts to environmental resources such as streams and wetlands. PSE’s business plan and its affect on utility rates is not a land use impact. To the extent that those issues could be framed as land use impacts, they are found to be adequately addressed under the jurisdiction of the Washington State Utilities and Transportation Commission (“UTC”). The UTC has direct oversight and regulatory authority over the type of issues raised by CENSE, i.e. efficient use of energy resources and consideration of alternative energy sources in a manner that assures least cost to utility rate payers.

Synapse, the consultant engaged by the City of Newcastle, explained the prudence of non-wire alternatives, as well as the limitations of the land use process to drive them, in its report published later in the same year:

Non-wires alternatives

The best time to begin implementation of summer demand-side measures would have been many years ago—potentially as early as 2008 when the region’s transmission challenges were identified. However, PSE hasn’t missed the best remaining opportunity to implement such programs. That time is now. While the City of Newcastle does not have the regulatory authority to require the actions we recommend below, we believe they would be prudent utility actions that the utility should undertake of its own volition, and that the WUTC should give them due consideration and support for rate recovery if pursued in a prudent manner. We believe that PSE should take proactive actions to implement our recommendations and reach out to WUTC as it reforms its current transmission planning process and load forecast.

Although our assessment confirmed that PSE does need to build and increase its transmission capacity for the Eastside and King County, it takes several years to complete any substantial transmission and substation construction project. Until such a project is complete, PSE should strive to minimize the risk of forced outages as much as possible. The best approach for minimizing the risk is to actually implement cost-effective demand-side resource programs as non-wires alternatives (NWA), with a focus on reducing the summer peak load.

Second, PSE should also seek to procure as much demand response (DR) as possible along with energy efficiency, solar PV, and combined heat and power because DR has some advantages over other resources: (a) DR is an untapped resource in the region; (b) DR can be quickly procured; (c) DR can be dispatched by PSE; and (d) DR has a potential to deliver a large amount

of summer peaking reduction within a short time frame. Current efforts to secure DR capacity seem lukewarm at best.

As mentioned in our report, Portland General Electric (PGE), PSE's nearby peer utility which has a similar level of peak loads, has implemented about 160 MW of summer DR including dispatchable generators (32 MW of conventional DR and 130 MW of dispatchable backup generators) since 2016 and is on track to meet its 2020 DR goals of about 200 MW, or close to 6 percent of the summer peak load. We believe PSE could do the same while cost-effectively reducing risk for its customers.

Third, PSE should assess the potential of energy efficiency measures that can reduce summer peak loads. Historically PSE's conservation studies have been focusing on winter peak periods. While PSE's 2017 IRP assessed summer peak reduction potential from demand response for the first time, it did not analyze summer peak potential from energy efficiency measures despite the fact that PSE identified by-then-serious transmission constraints during the summer peak time. We recommend PSE immediately undertake a study to evaluate summer peak reduction from energy efficiency measures if this scope is not included in the ongoing 2019 IRP process.

Fourth, PSE should take a serious look at the expected impacts of BTM solar PV and incorporate the impact in its summer peak load forecast by following other leading utilities (including PGE) and regional system operators. This will modify PSE's summer peak load forecasts downward.

Fifth, PSE should modernize its transmission planning process by formally incorporating the process of including and implementing targeted DSR programs as non-wires alternatives (NWA). Implementation of NWA in King County will be a valuable experience for transforming the transmission planning process for PSE. PSE may be able to identify more achievable demand-side resource potential in targeted areas than identified in PSE's potential studies or assumed in PSE's Energize Eastside studies because targeted approaches accompany area specific, enhanced customer outreach, marketing, and incentives that are outside of the scope of the traditional potential studies.

Finally, PSE or the WUTC should consider developing an independent third-party model for evaluating and/or procuring NWA as part of the transformation of the transmission planning process. Other states have such processes. For example, the Vermont System Planning Committee was formed more than a decade ago after a large transmission project was approved but regulators identified that it could have been avoided had utilities begun pursuit of non-wires solutions sooner.

The VSPC brings together transmission and distribution utilities, along with appointed stakeholder representatives, every quarter to assess load forecasts and potential future transmission and distribution investments driven by load growth. The VSPC has developed screening criteria and processes to transparently identify NWA opportunities in time to be able to implement targeted load reduction. More recently The State of Maine has charged the state's consumer advocate with hosting a third-party non-wires alternative coordinator, which will analyze the load and reliability data provided by utilities to identify opportunities for cost-effective NWAs.

Unfortunately, Synapse's clear-eyed analysis never saw the light of day. In a red-line review of the report, PSE's Jens Nedrud wrote, "PSE suggests deleting all recommendations. They are out of scope." Synapse relented, and the public lost an opportunity to better understand modern technology and the limitations of the land use process to make wise decisions for our energy future.

While I am aware CENSE agrees with most of Synapse's recommendations, I am aware that CENSE noted that Synapse focused on demand response alone and believes a combination of solar panels, batteries, and a more effective implementation of demand response (such as Time-Varying Rates) would completely serve Eastside demand while providing environmental benefits. We also note that the maximum summer shortfall found by Synapse was 300 MW, but the report footnotes the fact that regional transfers account for up to 270 MW of load. If that load were curtailed during an Eastside emergency or excluded from the Eastside grid using flow control devices, the shortfall would be only 30 MW, well within the capabilities of the non-wire solutions Synapse considered.

I am aware that In 2022, CENSE was recognized as an official intervenor in PSE's General Rate Case and had faith that Data Requests would compel PSE to answer questions. However, PSE brushed nearly all requests aside, complaining that they would be too burdensome for the company to answer. Having received less than one-fifth of the funding we needed (budgetary shortfalls were exacerbated by the difficulty of running an all-volunteer non-profit organization during the pandemic), I am aware that CENSE ran out of funds to further pursue the issue.

My and my fellow citizens' faith in our elected officials, our land use codes, our Hearing Examiners, and the Rate Case funding process has been severely tested during the last eight years. However, we still have faith that our Commissioners can represent our interests and wisely judge whether PSE's stonewalling, complete opacity and gamesmanship over the land use process are prudent for ratepayers. We hope our Commissioners will not miss this opportunity to show PSE that transparency, accountability, and honest dialog with its customers are still vitally important for the company's long-term success. Every ratepayer dollar should be effectively used to implement the Clean Energy Transformation, rather than simply lining the pockets of PSE's owners.

Recommendations

I recommend the following findings:

1. The rate of return for construction of the South Segment of Energize Eastside should be reduced due to significant flaws in the process that led to its construction. There must be consequences for PSE's refusal to answer reasonable questions about need and alternatives.
2. Continued pursuit of the North Segment based on outdated studies should be found imprudent. Significant changes have occurred since the 2013 and 2015 Eastside Need Assessments.
3. PSE has requested an increase on its rate of return on infrastructure investments to 10%. We believe the existing high rate of return is not justified in the current financial environment. Furthermore, there is ample evidence that these high rates of return warp PSE's behavior, motivating the company to prefer big infrastructure solutions to more reasonable, incremental, and modern alternatives. The rate should be reduced, not increased, and the company should receive motivating compensation for cost-effective projects that better align with the Clean

Energy Transformation Act and other community goals.

4. PSE must become more transparent and accountable. If relevant information is deemed a security risk, there must be standard procedures for sharing data under non-disclosure agreements. Until PSE has demonstrated it is a trustworthy partner, the company must be monitored by stakeholders and independent experts to ensure that the public interest is being served. We need to see the data and analysis that drives PSE's decisions.

Sincerely,

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