



ATTORNEY GENERAL OF WASHINGTON

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August 16, 2013

VIA ELECTRONIC MAIL

Steven V. King
Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Pk. Dr. S.W.
PO Box 47250
Olympia, WA 98504-7250

Re: **Puget Sound Energy
2013 Integrated Resource Plan, Dockets UE-120767 and UG-120768**

Dear Mr. King:

On May 31, 2013 PSE filed its 2013 Integrated Resource Plan (IRP) for both its electric and gas operations (Dockets UE-120767 and UG-120768). Public Counsel submits these comments in response to the Commission's Notice of Opportunity to File Written Comments, issued June 20, 2013.

A. Introduction.

As a ratepayer advocate, Public Counsel is interested in ensuring that that resource choices are "least cost" in order to meet the fair, just, and reasonable standard under Washington law. Public Counsel participates in the PSE IRP Advisory Group (IRPAG). While the IRP is not used for making specific resource decisions, it does provide guidance in the resource acquisition process, and can impact the types of resources offered to the Company through its competitive bidding processes. The IRP also serves an important role in the development of PSE's Energy Efficiency Services planning process, as it informs the development of the Company's conservation achievement potential. Moreover, the information produced in the IRP process provides a useful overview of the status of the Company's resources, and possible future developments.

Public Counsel offers these comments regarding several areas of interest within the 2013 IRP.

ATTORNEY GENERAL OF WASHINGTON

To: Steve King
Re: Dockets UE-120767 & UG-120768
Date: August 16, 2013
Page 2 of 4

B. Issues.

1. Colstrip.

Puget Sound Energy holds the largest share of Colstrip, approximately 32 percent of the output of the total plant. Five other companies own a portion of the plant, and its governance is shared between them.

The Colstrip Generation Facility is a part of PSE's current least-cost resource portfolio. As requested by the Commission, the 2013 IRP includes analysis testing the continued economic viability of the Colstrip facility under a variety of potential regulatory requirements.¹ PSE's IRP analyzed a number of scenarios of known and/or likely economic and policy conditions.² The IRP concludes that, at this time, Colstrip remains a part of PSE's least-cost portfolio.

Notwithstanding the IRP's conclusion about near-term least-cost, we believe the scenario analysis warrants continued review of the long-term viability issues, particularly given the concerns about global climate change. PSE states that the Colstrip owners do not anticipate they will need to make any decisions about significant capital investments until 2016. Before that time, however, whether as part of the 2015 IRP analysis, or a separate process, Public Counsel believes that PSE and interested stakeholders should continue discussions about the plant's economic viability. This analysis should build upon the 2013 IRP, analyzing the economics of the plant, as well as the impact of the timing and associated costs of its eventual retirement.

In addition, as more information is known about pending EPA regulations, as well as possible federal regulations of carbon, that information should also be considered. In the IRP, PSE agrees that, "as policies and market conditions change, the ownership group of the Colstrip facility will factor those conditions into their decision-making process."³

Future Colstrip analysis should provide additional information to stakeholders and the Commission regarding when and how the ownership group will consider these issues, and to explore possible scenarios for action.

Public Counsel commends the IRPAG stakeholders who devoted a considerable amount of time and attention to this important issue. We look forward to continuing this discussion.

¹ In the Commission's Letter acknowledging PSE's 2011 IRP (Docket UE-100960), and Order 08 in Docket UE-111048, the Commission stated that 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." Order 08, ¶422.

² IRP, p. 1-10.

³ *Id.*

ATTORNEY GENERAL OF WASHINGTON

To: Steve King
Re: Dockets UE-120767 & UG-120768
Date: August 16, 2013
Page 3 of 4

2. LNG Peaking Project.

The IRP states:

PSE is considering development of a mid-scale LNG liquefaction and storage facility within its service territory to serve the growing demand for LNG as a marine and vehicle transportation fuel at a relatively constant rate year-round and provide modest storage capacity. This IRP evaluates the possibility of enhancing the design of the facility to substantially increase storage capacity and add vaporization equipment; this would make it possible for the facility to also serve as a peaking resource for the PSE gas system. The economies of scale afforded by a combined-use facility may make this a cost-effective alternative.⁴

Additionally, the IRP's Gas Sales Resource Action Plan includes the following action item:

Continue working toward developing the potential PSE LNG Project to support gas utility peaking and transportation sector needs. Update and refine cost/resource estimates on expanding the facility's potential to provide peaking capabilities for the gas utility portfolio as the project proceeds.⁵

Public Counsel is concerned about this issue. While the IRP does not include additional details about the project, what has been provided raises questions about a potentially inappropriate combination of regulated and unregulated activity. PSE or its parent company, Puget Energy, should consider the option of pursuing this venture outside of the regulated company. In this scenario, PSE could contract with an unregulated subsidiary via the Company's normal resource acquisition practices, subject to the affiliated transaction rules. Regulated ratepayers should be protected from financing any unregulated activity of this type.

3. Energy Independence Act (EIA) Components.

The IRP provides the Company's conservation potential assessment and generation efficiency assessment. PSE's 2-year target and 10-year potential are derived from these assessments. At this time, PSE's Energy Efficiency Services (EES) staff is in the process of developing the target and potential, as well as the 2014-2015 Biennial Conservation Plan, all of which will be filed with the Commission later in the year. EES has provided a number of updates to the Conservation Resource Advisory Group (CRAG) so far. Most notably, due to a number of factors, the Company anticipates the conservation target for 2014-2015 will be lower than the target for the current biennium. The CRAG will continue to receive regular updates and review

⁴ *Id.*, p. 6-27.

⁵ *Id.*, p. 1-18

ATTORNEY GENERAL OF WASHINGTON

To: Steve King
Re: Dockets UE-120767 & UG-120768
Date: August 16, 2013
Page 4 of 4

the development of these items in the coming months. Public Counsel will provide comments on the target, potential, and BCP after they are filed with the Commission.

4. Public Process

PSE states in the IRP action plan that it “will develop a robust work plan for the 2015 IRP to clarify the roles and expectations of the public participation process and to provide greater transparency regarding PSE’s analytical processes.”⁶ Public Counsel notes that as a part of the Commission’s procedural rulemaking, Docket A-130355, the Commission solicited comments on how WAC 480-07 regulations might be supplemented, improved, or clarified. Among the topics the Commission identified for possible review was “Procedures for Commission review of company Integrated Resource Plans, Requests for Proposals, Conservation Plans, and other I-937 filings.”⁷ Several IRPAG members provided comments particularly with the public process for this IRP in mind. Thus, it would be useful for PSE to coordinate its efforts for the 2015 work plan with any expectations the Commission expresses as a part of its procedural review.

C. Conclusion

Public Counsel appreciates your consideration of these issues. I will attend the Commission’s October 10, 2013 Open Meeting to address any questions regarding these comments.

Sincerely,



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cc: Juliana Williams, UTC Staff (E-mail)
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⁶ *Id.*, p. 1-17.

⁷ Docket A-130355, Notice of Opportunity to File Written Comments, March 22, 2013.