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Filed Via Web Portal

Mark L. Johnson, Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

Re: Dockets UE-190698 and UE-191023: Response of Puget Sound Energy to Small Business Economic Impact Statement Questionnaire

Dear Mr. Johnson:

Puget Sound Energy (“PSE”) appreciates the opportunity to respond to the Commission’s August 31, 2020 Small Business Economic Impact Statement (“SBEIS”) questionnaire concerning the proposed rules for Integrated Resource Plans (“IRP”) and Clean Energy Implementation Plans (“CEIP”) under the Clean Energy Transformation Act (“CETA”). At present, PSE employs approximately 3,200 full-time equivalent employees.

The implementation of CETA will create significant new requirements for utilities and the Commission. PSE recognizes that many of these new requirements and their associated compliance costs stem from statutory requirements. However, many aspects of the proposed rules will require significant new work and processes—not just to obtain clean energy resources—but also to comply with additional CETA requirements, such as ensuring that all customers benefit from the transition to clean energy. With input from stakeholders, utilities will need to develop new ways of measuring equity-related factors and considerations, engage in new public processes, and propose additional criteria to ensure the proper balancing of factors to identify the investment mix in a CEIP.

On September 11, 2020, PSE filed comments with the Commission in this consolidated docket that reflect PSE’s strong preference for a more streamlined regulatory approach—one that would provide more clarity and certainty in establishing baselines and in the Commission’s review and approval of CEIPs, so as to allow for steady implementation. PSE continues to believe a more streamlined approach is both consistent with CETA and will result in a lower cost of compliance for all affected businesses.

Consistent with those comments, PSE responds below to provide initial cost estimates of certain compliance requirements created by the proposed rules. These initial estimates relate primarily

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to the proposed rules governing the development and administration of CEIPs, and they arise in three main areas: (1) costs associated with a new and robust public engagement process; (2) administrative costs; and (3) other ongoing costs associated with continual re-evaluation of key CEIP assumptions, such as calculation of the baseline portfolio, for purposes of calculating incremental, CETA-related costs.

PSE does *not* include in these estimates the potentially significant costs associated with implementing CETA that will be driven separately by the need to acquire the necessary renewable and non-emitting resources to meet CETA's requirements in 2030 and beyond. PSE views those costs as driven by the overarching policies established in the CETA statute. Nonetheless, there are numerous open issues in this rulemaking, which have not yet been resolved and could considerably impact the costs of administering rules.

Public Engagement & Participation (proposed WAC 480-100-655)

PSE supports a robust public engagement process for the development of CEIPs, including the proposed creation of an equity advisory group, as public engagement will be a significant part of the CEIP development and implementation process. For purposes of responding to this SBEIS questionnaire, however, it is important to note that these new public engagement processes will require significant resources to ensure that PSE can adequately support them, particularly in the first CEIP cycle in which the timeline for establishing this new advisory group and developing potential equity indicators is short.

For a hypothetical modest CEIP public engagement process, PSE estimates that the costs of this work could be approximately \$2.0 million per year, or about one percent of total CEIP implementation. At this level or scope of engagement, work would include local meetings, developing and maintaining a clear website outlining and describing CEIP activities, providing each customer with one paper mailing per year, and developing, writing, and providing to the Commission the public participation plans for the CEIP and CEIP implementation. It is important to note, however, that depending on the scope or level of public engagement work in the approved CEIP, this cost could be considerably higher.

Again, PSE supports new processes as an important means of engaging its customers in the development and implementation of its CEIP. Yet as stated in PSE's September 11, 2020 comments, the proposed public participation rules may go beyond what is required for utilities to comply with CETA and thus are appropriate to estimate in this response for the Commission's consideration.

Administrative Costs (proposed WAC 480-100-650)

The proposed rules also impose new administrative requirements for reporting and planning that will create additional costs for PSE and other utilities. Implementation of the CEIP will require significant resources for planning, including for the development of interim and specific targets and estimating anticipated costs to calculate incremental costs. Further, work related to tracking and reporting under the rules will also require significant new processes, additional time from

existing or new full-time employees, and potential engagement of third party vendors and consultants.

PSE expects that the proposed rules will have an additional cost impact to PSE regardless of whether the Commission implements PSE's streamlined approach to the draft rulemaking. The proposed rules will require PSE to expend time and resources preparing the various compliance and progress reports and providing regular updates to the Commission. The below list frames the reports that are required under rule, as well as existing reports from other regulatory rules that are expanded under CETA rules:

- Clean Energy Compliance Report
- Annual Clean Energy Progress Report
- Energy Independence Act ("EIA") Report for both the Commission and Commerce
- Energy & Emissions Intensity Report
- Commerce Interim Compliance Report for the Greenhouse Gas Neutral Standard
- Commerce Fuel Mix Source and Disposition Report
- Annual Coal Attestation and Verification Services

Given the degree of suggested changes PSE proposed in its September 11, 2020 comments, and the uncertainty of how the Commission will implement final rules, PSE cannot define with exact detailed analysis the cost impact of all the additional reports contained within the proposed rules. However, PSE anticipates additional internal resources and consulting resources will be necessary for ensuring compliance with the proposed rules. For planning purposes, PSE is considering a time and overhead cost commitment similar to its EIA renewable energy credit compliance program for each of the new reports proposed under the draft rules.

Based on past programmatic measurement and reporting experience, PSE estimates that other administrative costs will be fairly significant, but manageable with respect to total investment, e.g., three to four percent of investment or approximately \$5.0 million per year.

Re-Evaluation of Key Assumptions in the CEIP (proposed WAC 480-100-660)

In addition to the estimated costs discussed above, PSE views the potentially largest category of costs as those that are ongoing throughout each CEIP implementation period in response to requirements to update the baseline portfolio and adaptively manage the CEIP portfolio. As has been noted in previous comments, PSE already updates key assumptions in some of its existing filings. Should the final rules require use of the resource portfolio model to continuously update key assumptions and incremental costs using the resource portfolio model, this would amount to a nearly continuous IRP, so the costs of the IRP would approximately double from their current state.

At this time, PSE has not identified any draft proposed rules that create potential cost savings.

PSE appreciates the opportunity to respond to the Commission's SBEIS questionnaire. Please contact Kara Durbin at (425) 456-2377 for additional information about this response. If you have any other questions please contact me at (425) 456-2142.

Sincerely,

/s/ Jon Piliaris

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