

October 2, 2017

Integrated Resource Plan (IRP) Advisory Group
Ms. Michelle Kvam, Sr Commercial Development Manager
10885 NE 4th St #118
Bellevue Wa 98004

Re: "2017 Draft IRP" & Mr. Jen's Nedrud email concerning Energize Eastside

Fellow members of the Advisory Group:

Having participated in nearly all of the 2017 IRP meetings, I want to thank PSE and the many outstanding technical stakeholders for their significant contributions. For all of us, it has been an informative and educational sharing which hopefully improves PSE's planning process and ultimately provides reliable and prudent energy solutions for tomorrow. Thank you!

The energy industry is challenged as never before. There have been significant changes in technology and "competitive inroads", as well as a significantly changing marketplace where there now is a cross elasticity of product solutions. All this is taking place in a declining growth market.

With these trends in mind, it is prudent, in fact, critical to examine Transmission Planning particularly Energize Eastside in the 2017 IRP (Chapter 8 does not meet this standard nor REC 19.280.030 and WAC 480-100-238-2). Energize Eastside is an enormous project with tremendous economic and environmental consequences both for today and decades to come. An honest and in depth examination is essential. Many unanswered questions remain. These include:

1. What is the occupancy (load flow) on the proposed Energize Eastside corridor? (Provide quantitative load flow studies; analysis and assumptions for 2017)
2. What is the 2017 - 2027 "Eastside Customer Demand Forecast"? (Provide 10 year graphs like those provided in 2013 and 2015; numerics; analysis and assumptions; Also 10 years of history for context)
3. What is the size of these energy deficiencies? What are the alternative solutions that would meet the needs of the Eastside corridor? (Provide an analysis and a suite – a combination of 21st Century solutions plus conservation to meet the sizing and need versus a transmission only solution)

2017 IRP versus EIS P2

Only with information based upon data and a “granular analysis” which answer these types of questions can we come to the “truth”.(1) As one rate payer once asked: “If we need a four lane energy highway through the Eastside is it wise to construct a sixteen lane super highway?” Sound Transit and our Eastside neighbors didn’t think so and now we will have a 21st century light rail solution for traffic.

IRP versus EIS

Many of us have participated in the Energize Eastside processes and asked questions, but for the most part, the hard questions have never been answered. They have been unanswered at the Community Action Group meetings, unanswered at open houses and unanswered at the Environmental Impact Statement sessions. Even when technical experts from groups like CENSE acquired CEII security clearance, PSE has denied access to information. Like me, many of my colleagues have had brief conversations but never anything in depth with PSE or Mr. Nedrud. A few casual words at the beginning or end of a public group meeting cannot pass for meaningful two way dialogue, discussion or in depth examination.

Thus, Energize Eastside issues cannot be deflected to a vague and somewhat flawed Environmental Impact Statement process. The client and audience for an EIS are far different than those of an IRP, therefore, the purpose, needs and questions are also different. Unlike Environmental Impact Statements, the IRP process provides for an analytical and data driven analysis versus a generic descriptive one (1). Unlike the EIS process, the IRP process is a forum providing for an exchange of information and open debate. It is interactive. It is a place to ask the hard granular, questions and get clear definitive answers. As one of PSE’s former consultants stated in a recent EIS presentation, the EIS starts with a “No- Action” alternative which most everyone will reject and then the facilitator continually narrows the scope until the preferred solution is selected (with mitigation).

(1) PSE “2017 IRP Advisory Group; June 22, 2017 pgs 1-12, esp p 8 Prudence Test .

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At a minimum, the record needs to address:

1. At the initial Energize Eastside Community Action Group meetings and open houses in 2013, Mr. Nedrud presented the **“Eastside Customer Demand Forecast”**(2012-2022) which predicted capacity issues i.e. being in trouble in early 2017. (2) In the 2015 EIS, an updated **“Eastside Customer Demand Forecast”** (2014-2024) was provided and highlighted. It alerted the public by stating “a deficiency could develop as early as winter of 2017 – 2018 or summer of 2018”. In both cases, there was no comparison of actual versus forecast; no quantification; no analysis; and no statement of underlying assumptions. These are PSE’s assertions. The EIS further states that we will have a **74MW shortfall** unless action is taken.(3) Lingering questions continue to go unanswered. For example, why is there a 80+/- MW difference in the 2013 and 2015 graphs for 2014?

A 2017 “Eastside Customer Demand Forecast” has not been provided, nor answers to previous questions. Furthermore, the 2015 graph was removed from the Energize Eastside website (www.energizeeastside.com/need) in 2016 and no replacement has appeared.

2. PSE refers to and justifies Energize Eastside based upon USE’s “Independent Technical Analysis of Energize Eastside” (Apr 28, 2015) in their email. This may be somewhat correct but is very misleading. It is true that an Independent study was requested by neighborhood and community groups but the study basically took all its information from PSE documents; reviewed it and confirmed that the methodology used followed industry practices (4). It was termed more of “a review or an audit” but did not provide for current load flow studies; updated forecasts; or sizing of solutions to fit need (5)(6). Many observers had and still have lingering questions. (7) It should be noted that some of these, shortcomings were due to inadequate stakeholder involvement and funding limitations.

(2) PSE, Initial Community Action Group Presentation by L. Kostek/J. Nedrud, “We need to act now” ‘Eastside Customer Demand Forecast’ p. 5, January 22, 2014

(3) City of Bellevue, “Phase 1 Draft EIS”, Introduction and Summary p1-6

(4) “Independent Technical Analysis of Energize Eastside” April 28, 2015, Utility System Efficiencies Inc. See Exec Summary pages 3-5.

(5) Bellevue City Council Meeting December 8, 2014 RES #8857 Independent Technical Consultant Presentation; transcript thereof)

(6) City of Bellevue, “Independent Technical Analysis May 4th questions and answers” memorandum and presentation to city council

(7) Questions for ITC, CENSE, spring 2015. CENSE response to ITA, USE report, May 2015.

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3. After many months and several unsuccessful attempts to meet with PSE’s technical teams and executives concerning current **Load Flow studies**, Messrs. Lauckhart and Schiffman conducted a load flow study using data provided to WECC by PSE. It should be pointed out that certain members of CENSE and Mr. Lauckhart went through all of the necessary steps to acquire a CEII clearance. In spite of this, PSE would not assist or provide any information for their study. After the fact, Ms. Booga Gilbertson , VP of Operations, sent a memorandum stating the Lauckhart-Schiffman study was “flawed”. There was no conversation, no dialogue and no meeting to discuss Load Flow or correct this study.
4. Mr. Nedrud refers to other studies supporting a transmission line solution for the Eastside. These do deserve examination and a two way dialogue. One must keep in mind these facts: Some cited studies are “dated”, limited in scope and/or mere validations of having satisfied industry and regulatory practices.
5. In 2014, 2015 and 2016 – in an attempt to acquire actual data and growth comparisons -- I reviewed PSE’s **Form 10K reports** i.e. Annual reports which are submitted to the SEC (8). Anyone on the Eastside can look out a window and visibly see economic activity --“growth” -- around us. But, does this mean energy consumption -- “growth” -- is increasing? If so, at what rate? Conversely, it has been well documented and well publicized that energy usage is flat or declining throughout the United States. What then is happening at PSE? Between 2014 and 2016, energy sales to customers (% yr over yr) decreased -1.6%, -2.9% and -3.0%. At the same time, total customers (% yr over yr) increased +1.0%, +1.1% and +1.5%. (8) *While customer growth is increasing, energy sales are declining.* Obviously, total energy demand, peak demand and 10K numbers are not comparable. BUT, we too know something major is happening in the marketplace – something deserving examination, open dialogue and analysis.

The aforementioned comments and observations are not just mine. I have heard these same things from neighbors, rate payers and colleagues for a number of years. Hopefully, by understanding and correcting the record, we can initiate increased two way communication, openness and discussions based upon hard facts.

(8) PSE 10K SEC filings, 2014, 2015, 2016, Business pages 4-34.

In conclusion P. 5

Having worked for a regulated monopoly in various executive positions throughout my professional career, I fully appreciate the need for stakeholder involvement and strong oversight to protect customers, employees and shareowners. One might suggest that these activities are the “invisible hand” in our private enterprise system. As such, I strongly support the Integrated Resources Process but unfortunately it has fallen short in the 2017 version, particularly as related to Energize Eastside and Transmission planning.

At the same time it is not too late. On behalf of many ratepayers, **WE REQUEST:**

1. PSE perform current Load Flow studies on the distribution/transmission lines on the Eastside that can be reviewed by experts with appropriate clearances;
2. PSE provide a current and accurate “Eastside Customer Demand Forecast” including assumptions and actuals for previous years;
3. PSE re-examine their 1993 Energize Eastside issue and solution, in light of a combination of technological advances and scalable 21st Century solutions in today’s environment of declining energy usage;
4. PSE meet with an appropriate stakeholder group -- either the entire IRP Advisory group or interested members or a group such as CENSE -- to review these findings.

Only by fulfilling these responsibilities do we believe the 2017 IRP will fulfill its mission as well as its community obligations and regulatory requirements.

Sincerely,

Warren E. Halverson
40+ year ratepayer and Bridle Trails resident
Board member of CENSE
President of Canter Greens HOA