

PSE Responses to Stakeholder Comments

RNW/NRDC/NWEC Comment 1: The final scoping document should reflect the completion of the MRDAP and the information contained in it. The MRDAP should be an appendix to the final scoping document.

PSE Response:

PSE has attached the final Montana Renewable Development Action Plan (MRDAP) as Attachment A to this scoping document. Additionally, the scoping document provides a link to the full MRDAP report on page 4.

RNW/NRDC/NWEC/Sierra Comment 2: With respect to timing, the MRDAP found that the Path 8 rating and other issues would be best addressed when Colstrip 1 and 2 retire and when details of replacement generation are known. The MRDAP also found that this work could be completed in an expedited and timely fashion. The final scoping document should reflect these findings.

PSE Response:

PSE is not an owner or operator of Path 8 and cannot speculate on the re-rating process of that particular path. Please see Attachment A to this scoping document for the MRDAP findings.

RNW/NRDC/NWEC Comment 3: The Draft Scoping Document references BPA’s obligation to offer Colstrip Transmission System (“CTS”) owners the opportunity to extend services under the Montana Intertie Agreement “on terms no less favorable to the CTS Owner than those that BPA is then offering for comparable services.” If this is a reference to BPA’s most current Open Access Transmission Tariff (“OATT”), the final scoping document should clearly state that or otherwise explain what “comparable services” is referring to.

PSE Response:

Section 2 of the Montana Intertie Agreement provides as follows:

This agreement shall be effective at 2400 hours on the date of execution by all parties (Effective Date), and shall continue in effect, subject to the provisions of section 11, until 2400 hours, September 30, 2027; provided, however, that all liabilities incurred hereunder shall be preserved until satisfied. Two years prior to the termination date hereof, Bonneville shall offer to each Company to extend the services provided hereunder to such Company at that time, for 20 years under terms which are not less favorable to each Company than those which Bonneville is then offering for comparable services

BPA has not yet made an offer pursuant to section 2 of the Montana Intertie Agreement, and PSE cannot speculate as to the terms and conditions of any such offer to be made.

RNW/NRDC/NWEC/Sierra Comment 4: The Draft Scoping Document’s discussion of the Montana Intertie Agreement (“MIA”) does not mention that PSE and the other Colstrip partners are required to pay BPA for this transmission through 2027, whether it is used or not. The final scoping document should explain the implications of that this term of has for PSE ratepayers and the treatment of these transmission costs as sunk costs or opportunity costs.

PSE Response:

There is nothing unusual with respect to the payments made by PSE under the Montana Intertie Agreement. With the exception of hourly transmission, all BPA transmission purchased by PSE is based on capacity and not usage.

RNW/NRDC/NWEC/Sierra Comment 5: The final scoping document should reflect that the MRDAP addressed the question of whether or not the MIA allowed Colstrip Partners to wheel non-Colstrip generation (MRDAP Finding #7).

PSE Response

Please see Attachment A to this scoping document for the MRDAP report.

Additional Sierra Comment to #5: PSE needs to make clear in its current Request for Proposal process that this transmission will be available for non-Colstrip generation. Further, PSE needs to publicly commit to amending its Colstrip transmission contract to allow third-party wheeling. (see Finding 7 of the MRDAP).

PSE Response

PSE’s Request for Proposal has been approved by the UTC and is available to review at www.pse.com/rfp or under UTC Docket UE-180271. The next step is for bidders to submit proposals on August 17, 2018. Table 8 of PSE’s RFP requests that proposals include Interconnection and transmission information amongst other elements. PSE will accept proposals that assume use of PSE’s existing Colstrip transmission rights associated with Colstrip Units 1&2, whether on the Colstrip Transmission System, the Eastern Intertie, or on the main grid of the BPA transmission system. Any action PSE takes with regard to its BPA transmission rights will be in the interest of ensuring the lowest reasonable costs for PSE customers. PSE is one of six signatories to the MIA,¹ and one party cannot commit to any MIA amendment on behalf of the other owners.

RNW/NRDC/NWEC/Sierra Comment 6: With respect to the multi-party negotiations around the MIA, the final scoping document should be more explicit about PSE’s commitment to, and participation in, those discussions and should at least offer an expected timeline. Specifically, the final scoping document should identify a process or mechanism for keeping the Commission and stakeholders apprised as to the progress of those discussions. The final scoping document should identify, on an ongoing basis, the subject matter of those discussions, and should, to the

¹ BPA, Avista Corp, Northwestern Energy Corp., PacifiCorp, Portland General and PSE

maximum extent possible, set forth a timeline for resolution of the issues that are being addressed.

PSE Response

The MIA is an agreement between CTS owners and BPA, and any modification to or amendment of the MIA would occur in accordance with the terms and conditions of such agreement. PSE acknowledges that meetings among the parties to the MIA have taken place. PSE is unable to make any commitments on behalf of the other parties to the MIA.

RNW/NRDC/NWEC/Sierra Comment 7: The final scoping document’s discussion of the deliverability requirements of the Washington renewable portfolio standard (“RPS”) should include an explanation of how eastern Montana renewable energy resources qualify if they are “dynamically scheduled.” Additionally, the final scoping document should reference the MRDAP findings (17-24) showing significant amounts of dynamic scheduling capability.

PSE Response

PSE describes dynamic transfer on page 12 of the scoping document and explains that eligible renewable resources outside Washington State must be dynamically scheduled into the state. Attached as Attachment A to this scoping document is the MRDAP report. The MRDAP recommendations talk more broadly about Dynamic Transfer Capability (DTC) available to move 1,000 MW wind to the Pacific Northwest but also acknowledge that DTC on the Montana Intertie is a limiting factor.

RNW/NRDC/NWEC/Sierra Comment 8: The section on “redirects” and requests for proposals (“RFPs”) in the final scoping document should discuss how the treatment of the Colstrip Transmission System (“CTS”) and Eastern Intertie costs (sunk or opportunity) could influence procurement and redirect decisions.

PSE Response

PSE does not plan to make a decision about how it will use the transmission rights associated with Colstrip Units 1 & 2 before the RFP results. Part of the RFP analysis will include consideration of competing short- and long-term resource options, paired with transmission. PSE’s RFP portfolio analysis will evaluate the total cost of energy delivered to PSE’s system, including any assumed use of Colstrip transmission, for each proposed resource that proposes use of the Colstrip Transmission System. PSE will compare these costs to other alternatives, such as redirected transmission paired with market resources or other PSE resource options, to identify the lowest reasonable cost option that meets customer needs.

RNW/NRDC/NWEC/Sierra Comment 9: In the context of a PSE RFP where PSE Merchant maintains control of the Eastern Intertie transmission rights, the MRDAP addressed the “issues restricting re-use of the Eastern Intertie.”² The final scoping document should incorporate this finding.

PSE Response

² See MRDAP Finding 7

Please see Attachment A to this scoping document for the MRDAP report.

RNW/NRDC/NWEC/Sierra Comment 10: The final scoping document’s section on “Options for Redirecting Transmission on BPA’s System” should recognize and explain the interaction between redirecting “west of Garrison” transmission on BPA system and the increased likelihood of stranding the CTS investment and Eastern Intertie payment obligations.

PSE Response

PSE cannot speculate regarding the “interaction between redirecting ‘west of Garrison’ transmission on BPA system and the increased likelihood of stranding the Colstrip Transmission System investment and Eastern Intertie payment obligations.” The scoping document identifies known and factual issues.

RNW/NRDC/NWEC/Sierra Comment 11: It would be beneficial for the final scoping document to reference the positive findings of the MRDAP on the physical capability of the CTS to carry variable wind energy in a post-Colstrip scenario.³

PSE Response

Please see Attachment A to this scoping document for the MRDAP report.

RNW/NRDC/NWEC/Sierra Comment 12: If any updates on the Northwestern study are available, the final scoping document should incorporate those.

PSE Response

PSE will file the NorthWestern study within a week of receipt of such final NorthWestern study.

RNW/NRDC/NWEC/Sierra Comment 13: With respect to DTC limits and barriers, the MRDAP found that there is significant DTC over Path 8 and that the internal BPA network limits are not binding for the foreseeable future.⁴ The final scoping document should reflect this finding.

PSE Response

PSE is not an owner or operator of Path 8 and can neither support nor refute the statement “that there is significant DTC over Path 8 and that the internal BPA network limits are not binding for the foreseeable future.” Please see Attachment A to this scoping document for the MRDAP report.

RNW/NRDC/NWEC/Sierra Comment 14: The Draft Scoping Document states that “[u]nlike the interconnection queue, the transmission queue—which reflects requests for transmission service and ATC on the CTS—is not public.” However, our understanding is that requests for transmission service are made on OASIS and are publicly available to anyone with OASIS privileges.

³ See MRDAP Findings 8 and 9.

⁴ See Recommendation 24.

PSE Response

PSE has amended the scoping document accordingly.

RNW/NRDC/NWEC/Sierra Comment 15: With respect to the FERC formula rate process, it would be helpful for the final scoping document to describe the details of the most recent update. Our understanding is that PSE's CTS rate was reduced by roughly 50%.

PSE Response

PSE has completed six annual formula rate filings since they became effective in 2013. PSE makes available large amounts of formula rate detail available on the PSE's OASIS site including a "current OATT prices" spreadsheet that allows PSEI customers to easily compare changes in prices from year-to-year to PSE's OATT schedules. This includes the changes over six years to the PSE OATT Schedule 10 Colstrip – Direct Assignment rate. The scoping document includes a link to the PSE OASIS site and detailed information on each formula rate update can be found under the "formula rate postings" folder on that site.

PSE's most recent formula rate update included an error in accounting for how property taxes flowed through the True-Up mechanism on the Colstrip segmented rate. Since no third party had purchased transmission service over the Colstrip segment since the formula rate was created, PSE made a FERC filing (Docket No. ER18-1695) requesting a limited waiver of the 2017 calendar year True-Up. It is unclear when FERC will take action on the waiver filing, but granting of the waiver would correct the one-time error thereby ensuring fair, just and reasonable rates for transmission customers.

RNW/NRDC/NWEC/Sierra Comment 16: It would be useful for the final scoping document to provide greater context around how the CTS costs are passed through the PSE Merchant and collected from ratepayers. For example, it would be useful to explain what percentage of the initial investment has been paid down and what remains.

PSE Response

All costs of PSE's transmission system, including PSE's share of costs of the Colstrip Transmission System, are recovered from PSE's native load (i.e., retail) customers regulated by the Washington Utilities and Transmission Commission. Any revenue through FERC rates generated through service provided to third parties is credited against the revenues required from the native load (i.e., retail) customers.

Avista Comment 1: As of the date of this report, long-term firm ATC currently exists on the NorthWestern Energy and Avista transmission systems to move power from the state of Montana across Path 8 to load centers to the west. While this report addresses the CTS and its use, it is informative to note that other transmission alternatives exist to accommodate the integration and transfer of new resources in the State of Montana.

PSE Response

PSE has amended the scoping document accordingly.

BPA Comment 1: Insert “legacy transmission agreement” to clarify the Montana Intertie Agreement (MIA).

PSE Response

PSE has amended the scoping document accordingly.

BPA comment 2: Clarifying edits regarding MIA prohibitions and uses for CTS and non-CTS owners on BPA’s Eastern Intertie and main grid.

PSE Response

PSE has amended the scoping document accordingly.

BPA Comment 3: Suggests removing any discussions about transmitting power west to east.

PSE Response

PSE has amended the scoping document accordingly.

BPA Comment 4: Suggests additional specificity regarding a statement about “resolving” Eastern Intertie restriction issues in the MIA.

PSE Response

PSE has amended the scoping document accordingly.

BPA Comment 5: Clarifies that transmission queue information is publically available but generation interconnection queue information is not.

PSE Response

PSE has amended the scoping document accordingly.

PacifiCorp Comments: Made clarifying edits to distinguish between the independently functioning entities of PSE Merchant (PSEM) and PSE Transmission (PSEI).

PSE Response

PSE has amended the scoping document accordingly.