

August 22, 2019

Mr. Mark Johnson
Executive Director
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Olympia, WA 98503

Dear Mr. Johnson:

PSE has reviewed the June 19, 2019 letter to PSE and the Integrated Resource Plan (“IRP”) Technical Advisory Group (“TAG”) submitted by CENSE. We have also reviewed more recent correspondence from Don Marsh. We understand that these customers have stated that PSE cannot fulfill its 2019 IRP obligations without more information and further discussion on the Energize Eastside project. The purpose of this letter is three-fold:

1. To provide more background on the breadth, depth and quantum of information that has already been communicated to these customers over the past five years;
2. To demonstrate how much public process this project has already been through, and
3. To describe how much public process is still ahead. We are also including in this letter information and references to the Bellevue hearing record to address categorical questions asked in their June 19, 2019 letter. Please understand that after years of evaluating, confirming and re-confirming the need for this transmission line upgrade as well as several dozen community meetings to seek input on potential routes and mitigation, PSE is now in the permitting phase of development for this project. Conflating the IRP process with Washington’s statutory local permitting regime risks confusion and misunderstandings about the Energize Eastside project - thus, this letter is an attempt to explain further.

CENSE Background

CENSE is a group that was formed in 2014 for the sole purpose of opposing PSE’s Energize Eastside project. Based on their 501(c)(4) information filed with the Internal Revenue Service, CENSE has three board members who are also TAG members, including: Don Marsh, Vice President (2014-2015) and President (2016-2017), Warren Halverson, and Norm Hansen.

Since 2014, CENSE has attended 22 PSE-hosted outreach meetings, as well as at least 19 permitting meetings hosted by various cities with potential permitting jurisdiction including the City of Bellevue, Newcastle, Kirkland, Renton, Redmond and Renton. Since 2014, CENSE has attempted to derail the project by contacting the multiple organizations, regulatory agencies and elected officials with the modus operandi of attacking, delaying, or obfuscating the Energize Eastside project.

Current Land Use Permitting Process

The Energize Eastside transmission line upgrade spans multiple jurisdictions. The SEPA process to upgrade this existing line in the same exact corridor took nearly four years, starting with PSE’s request to

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Bellevue to initiate the review in August, 2014. Over the course of three years - from April of 2015 to March of 2018- a two-phased comprehensive Environmental Impact Study ("EIS") was prepared, the first phase of which focused on need and the second phase of which focused on route. The EIS, which covered the entire project, was prepared pursuant to an Inter-Jurisdictional Agreement between all the potentially affected Eastside jurisdictions including, Bellevue, Newcastle, Renton, Redmond and Kirkland. The preparation of the EIS involved expanded scoping and procedures far beyond the statutory thresholds. In addition to the expanded scoping written comment period for Phase I of the Draft EIS, five scoping public meetings and one EIS procedural information public meeting were held. Once the Phase I DEIS was issued, an expanded written public comment was provided and a public hearing was held to receive oral testimony on the document. Another expanded written comment period accompanied the issuance of the Phase II DEIS, along with another public hearing to receive oral testimony on the document. The Final EIS was published in March, 2018, with a preferred route that PSE is now pursuing permits to build. Ultimately the project will require land use permits in four different municipalities: Bellevue, Renton, Newcastle and Redmond.

While the entire project was considered cumulatively for the EIS, the permitting and construction is now following a phased approach beginning with the southern section of the project. State law prohibits the multiple jurisdictions from conducting a single consolidated permit review process and hearing. State law does not provide a single one-stop permitting process at the Energy Facility Site Evaluation Council for transmission line upgrades proposed in their existing locations that are not within national interest electric transmission corridors. To date, permit applications have been submitted to Bellevue, Renton and Newcastle, and a final Conditional Use Permit has been approved by Bellevue following a 19-month permit review process, several rounds of Requests for Information made by the City at the instance of CENSE and other project opponents, a 151-page Director's Report and a multi-day public hearing in March and April of this year.

Notably, Bellevue's Land Use Code has specific requirements for siting Electrical Utility Facilities (Bellevue LUC 20.20.255) that relate to the ongoing analysis in the IRP, including:

- the Project must be consistent with PSE's electric system plan - which in the Energize Eastside context means the King County plan;
- operational need for the project must exist at the proposed site;
- the project must improve reliability for the customers served and the reliability of the system as a whole, as certified by PSE's licensed engineer; and
- where possible, the project must be needed in the specific area that it is proposed.

Following four days of open, public hearings at which speakers were each afforded two opportunities to speak, the Bellevue Hearing Examiner approved PSE's application for a condition use permit for the Energize Eastside project and confirmed that it meets all the criteria in the Bellevue Land Use Code. In approving PSE's permit, the Hearing Examiner expressly found that:

- The Energize Eastside project is consistent with PSE's Electrical Facilities Plan for King County;
- The Energize Eastside project is based on a "very thorough" assessment of project need (including data on peak demand and forecasting) that was evaluated using standard industry practice, and that the Energize Eastside project is needed to address electricity demand in the area that it is located; and
- PSE demonstrated that Energize Eastside will improve reliability to customers served in the area, as well as, the system as a whole, as certified by PSE's licensed engineer.

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This decision is consistent with FERC's 2016 decision affirming PSE's planning protocols for the Energize Eastside project. In that lawsuit, IRP TAG member Don Marsh's organization CENSE raised questions similar to those posed to Bellevue in its permit process and to PSE in this IRP TAG process. CENSE and other project opponents were even given party status to file motions, briefs and submit oral argument in Bellevue's Pre-Decisional Permit hearing. After four days of testimony and oral argument and two months of review of a nearly 14,000 page record inclusive of hearing transcripts and administrative record, the Hearing Examiner issued a 38-page decision containing 85 Findings meticulously referenced to the record in support of his decision. Five appeals have now been filed by Warren Halverson, Norm Hansen, Loretta Lopez, CENSE and CSEE, another opposition group, all challenging the Hearing Examiner's decision approving the Energize Eastside. Two of the present appeals have been filed by active IRP TAG participants, including CENSE leadership. The appeals raise the identical issues as those that the IRP TAG participants asked PSE to answer, including questions about winter and summer time peak demand, PSE's forecasting and project segmentation.

The same issues now posed to PSE through the TAG IRP process are the same as those evaluated and resolved by the Partner Cities in the project's two-phased EIS and by the Hearing Examiner in the open public hearing. During the Bellevue public hearing, the IRP TAG participants raised the questions they submitted as part of the IRP TAG process in pre-hearing motions (which were rejected) and at hearing where they were presented with a substantial record (containing both PSE and third party analysis) that the Hearing Examiner relied upon in approving the project.

Due to the appeals filed by active TAG members and CENSE leadership, the questions raised by the IRP TAG are now actively being adjudicated in a different forum before the Bellevue City Council, which has sole jurisdiction to hear the challenge to the Hearing Examiner's approval of the Conditional Use Permit. The City of Bellevue's permit file alone, containing repeated answers to CENSE and Mr. Marsh's repeated questions, is over 12,000 pages. Bellevue has made this record available to the public and IRP TAG members since January of this year.

While these five appeals are pending on a record that is now closed after five years of review, PSE is suspending further discussion through the IRP TAG process regarding the Energize Eastside project need due to the potential for confusion between the two processes and the legal limits on a closed record appeal. All materials used in this IRP proceeding, including the Hearing Examiner's detailed decision following review of the voluminous record, are public documents available to the IRP TAG and UTC staff.

IRP Process

The rules and Commission decisions regarding public participation and Integrated Resource Plans, both WAC 480-90-238(5) and WAC 480-100-238(5), state that public participation is an essential element to the development of an effective plan and that the work plan must outline the timing and extent of public participation; however, there is nothing in the rule or related case law that specifically outlines the number of meetings, etc.

In the past, the language in WAC 480-100-238 has consistently been applied to mean transmission as it pertains to moving energy from generation to PSE's system. Traditionally, the primary roles of transmission in the IRP include costs associated with new resources, transmission in excess of resources to access short-term capacity markets (market reliance), and the impact transmission imports to the region have on resource adequacy in the region as it pertains to PSE's portfolio. This makes sense, because one of the practical outputs of the IRP is to allocate system level resource needs between demand-side and supply-side resources, as those have different resource acquisition processes. In the past, PSE has both included and excluded a chapter on local system planning in IRPs based on consultations with WUTC

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Staff. The Commission has accepted IRPs both with and without such chapters. However, as mentioned above, the Company has never included the kind of information Mr. Marsh claims is required.

PSE understands that an IRP examines generic resources in a way as to allocate a utility's resource need between demand-side and supply side resources. There are follow-on acquisition processes that culminate in a prudence case. The questions from the CENSE TAG members seem to infer that PSE is supposed to make resource specific decisions in an IRP. PSE does not understand the IRP to be the forum to present an ex-ante prudence case for resource decisions—in this case, that resource decision being Energize Eastside. Moreover, the CENSE TAG members seem to indicate that the IRP rules require PSE to submit to cross examination in a public hearing with no administrative procedures, policies, or proper legal controls whatsoever. This is in direct conflict with and duplicative of the local permitting processes currently underway. Again, PSE believes the assertion about how WAC 480-100-238 works is simply inconsistent with long-standing Commission practice. Further, PSE objects to any effort to hijack the IRP process or leverage it for discovery for use in litigation as an abuse of the intended purposes of the IRP process. As such, PSE will approach any IRP requests from CENSE or the named individuals accordingly.

With the new Clean Energy Transformation Act, the need for new transmission lines in our region that can move power from remote sunny or windy renewable energy generation sites to PSE's service area will likely only increase and it is likely that Energize Eastside is just one of many more transmission line upgrades needed in the future. PSE also appreciates that the Commission has been engaged in rulemakings on IRPs and on system planning-related issues. PSE supports these rulemakings and endorses the WUTC in establishing processes to further integrate resource decisions with local system planning decisions, as technology and policies bring those functions closer together. In such rulemakings, PSE has and will continue to urge the Commission to distinguish between projects that are in a planning phase versus permitting phase.

Were the Commission to continue to require utilities to engage in a new IRP process for local transmission projects while permitting is going on, it would lead to confusion at the local permitting agencies. Furthermore, topics could be misconstrued in an IRP public meeting and misrepresented in a local permitting setting, which would not benefit our customers in the long term⁽¹⁾

CENSE June 19, 2019 Questions

PSE respects the Commission's pursuit of transparency and engagement with stakeholders. The discussion above attempts to capture and describe the very public and transparent five plus years of review that the Energize Eastside permit process has undergone thus far. While PSE will not meet with CENSE members while we defend the one permit we have received against the five Bellevue appeals already filed, we nevertheless address, in the responses below, the four categories of questions raised in the June 19, 2019 CENSE letter (which was submitted following issuance of the Bellevue Hearing Examiner decision and which mirrors the pending appeals). As discussed above, much of the content in the June 19, 2019 letter was covered in the Bellevue CUP hearing process and nearly 14,000 page record, a proceeding in which CENSE was not only heavily involved but was also represented by legal counsel in an adversarial adjudicative posture.

⁽¹⁾This has already occurred: some of Mr. Marsh's, CENSE's and CSEE's load forecast materials submitted in various forums – including the Bellevue public hearing – mixes and matches actual load data with weather normalized load forecasts and incorrect data from FERC Form 1, which manipulates and mischaracterizes the truth and has the potential to mislead those to whom it is presented.

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CENSE poses questions about four topics: need, purpose, new Washington legislation and six-year history. As already mentioned above, three of these four categories have been specifically referenced and raised in appeals of the Bellevue conditional use permit by CENSE and its members.

Need – Energize Eastside is needed to address a projected deficiency in transmission capacity resulting from growth in electrical demand, which could affect the future reliability of electrical service for the Eastside. Please see the following:

Bellevue public hearing record relative to DSD File No. 17-120556-LB (“DSD Record” herein): which the City has paginated and provided to CENSE, CSEE and PSE but not yet posted to its website; PSE will make the DSD Record available to the Commission on a share site at its request):

Testimony of D. Koch at DSD 012067-80;

Testimony of C. Koch at 012088-012094; and

Testimony of J. Nedrud at 012097-103; Transcript at 000451-511.

- Quanta Eastside Needs Assessment Report, DSD Record 004520-1001-004520-078;
- Quanta Supplemental Eastside Needs Assessment Report, DSD Record 000453;
- Independent Technical Analysis of Energize Eastside for the City of Bellevue, WA, Utility System Efficiencies, Inc. April 2015, DSD Record 000663-739.
- Stantec Consulting Services Inc. Review Memo on the Eastside Needs Assessment Report, July 2015, DSD Record 000550-559.
- Energize Eastside Project - Final Environmental Impact Statement prepared for and published by the Cities of Bellevue, Newcastle, Redmond and Renton by ESA March 1, 2018, at DSD 005414-15; 005438.
- FINDINGS OF FACT, CONCLUSIONS, AND DECISION, City of Bellevue DSD File No. 17-120556-LB, June 25, 2019 at Findings of Fact ¶¶10-29 and Conclusions of Law ¶84.C.

1. Winter need. Energize Eastside is needed to address foreseeable winter peak demand. PSE is required to maintain its entire system to accommodate peak demand in both summer and winter and does not track “Eastside” specifically. NERC guidelines for transmission reliability assessment do not allow a utility to rely solely on past history to assess future projected deficiency in transmission capacity. *See* Stantec Review Memo at DSD 000550-559 (providing an overview of forecasting protocols; Testimony of C. Koch, J. Nedrud, *supra*).
2. Summer need. NERC guidelines for transmission reliability assessment do not allow a utility to rely solely on past history to assess future projected deficiency in transmission capacity. *See* Stantec Review Memo at DSD 000550-559 (providing an overview of forecasting protocols; Testimony of C. Koch, J. Nedrud, *supra*. Summer peak data is found at DSD 012087.
3. Forecasts. Winter and summer peak demands are never identical to each other, nor are the changes in demand identical depending on the season. In PSE’s service area, winter and summer have different peak demand trends. A description of forecasting protocols and a review of PSE’s approach to forecasting can be found at DSD 000550.

Purpose: The purpose of Energize Eastside has been, is - and will remain to address a projected deficiency in transmission capacity resulting from growth in electrical demand, which could affect the future reliability of electrical service for the Eastside. *See FEIS* at I.

4. Reliability benefit. SADI and SAFI are not appropriate metrics for assessing reliability in this context.

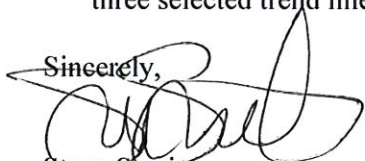
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5. Close calls. PSE suffered an N-1-1 event in summer of 2018. *See* Testimony of D. Koch, at Transcript at 000079-81. PSE conducts NERC-mandated annual transmission reliability assessments, which inform the company so that it can ensure that infrastructure is in place and operating to address projected deficiencies in transmission capacity before intentional or unintentional load shedding occurs.
6. Segmentation. PSE will construct the north segment of Energize Eastside at such time as permits are issued therefor.

New Washington legislation – New Washington legislation does not eliminate or defer the predicted deficiency in transmission capacity that could affect the future reliability of electrical service for the Eastside.

7. CETA: Washington’s Clean Energy Transformation Act addresses electric power generation, not transmission reliability.
8. HB 1257: Changes in forecasting and transmission planning data is incorporated into PSE’s annual transmission planning studies. *See* Testimony of Jens Nedrud *supra*. Every annual internal review and peer review studies on the project need for the Energize Eastside project have confirmed project need.
9. Six-year history (Question 9) - PSE reviews its transmission reliability needs annually consistent with NERC requirements. *See* Testimony of J. Nedrud, *supra*. Every annual internal review and qualified peer review study regrading project need for this project has confirmed project need. Six years of three selected trend lines are not the federal law metrics for transmission reliability planning.

Sincerely,



Steve Secrist
Senior Vice President, General Counsel,
Corporate Secretary and
Chief Ethics & Compliance Officer

Cc: Chairman Dave Danner
Commissioner Ann Rendahl
Commissioner Jay Balasbas