



STATE OF WASHINGTON
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION
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November 5, 2012

Phillip Popoff
Manager, IRP
Puget Sound Energy
P.O. Box 97034
Bellevue, WA 98009-9734

Re: Dockets UE-120767 and UG-120768

Dear Mr. Popoff:

The Washington Utilities and Transportation Commission staff (Staff) appreciates the work done by Puget Sound Energy (PSE or Company) so far in Dockets UE-120767 and UG-120768 to address the costs of continued operation and of retirement for PSE's share of the Colstrip facility in Montana. The Draft Colstrip Scenario & Portfolio Analysis for 2013 IRP (Draft Colstrip Analysis), sent to the Integrated Resource Planning (IRP) Advisory Group on September 13, 2012, provides a starting point for these considerations. However, Staff believes that the current approach will be inadequate for understanding the costs associated with Colstrip.

Cost Estimate Data

The IRP analysis should be informed by data from across the Company, including information the Company develops through studies that fulfill its ongoing obligation to manage its resources prudently. One of the components that Staff considers in evaluating prudence is whether a utility pursued information that is reasonably available when making resource choices.¹ Staff believes more detailed information on the costs of existing environmental compliance requirements and major Operations and Maintenance (O&M) for PSE's share of Colstrip are reasonably available and should be provided. WAC 480-100-238 requires the IRP analysis of the lowest cost mix of resources to consider "the costs of risks associated with environmental effects." Therefore, Staff also requests that PSE provide detailed information on likely prospective environmental compliance costs.

PSE supplied a spreadsheet titled "Regulations affecting Colstrip-Sept13 Draft" (Colstrip Spreadsheet) that provides "[b]road estimates of ongoing expenses related to environmental

¹ Docket Nos. UE-920433, UE-920499, UE-921262, WUTC v. Puget Sound Power & Light. Eleventh Supplemental Order, pp. 20; Nineteenth Supplemental Order, pp. 5.

regulations.”² For some of the estimates, the high and low range varies by an order of magnitude. This is an insufficient level of detail to fully model the costs of continued operation.

- Staff strongly requests that PSE perform studies on specific environmental compliance measures and major O&M costs or describe its basis for not conducting the studies at this time. Staff expects PSE to identify, individually, the environmental cost estimates from each study or analysis the Company has performed. If the estimates come from an external source Staff requests that PSE provide a citation to the source of each of cost the estimates.

Decommissioning and Remediation Costs

Staff disagrees with PSE’s proposal to exclude decommissioning or remediation costs from the Colstrip analysis. At some point, Colstrip will be retired and ratepayers will bear the costs of decommissioning and remediation. Continued operation of Colstrip may introduce incremental decommissioning or remediation costs. For example, costs to deal with coal ash pond remediation will increase as the volume of combustion waste grows.

- The IRP should include the Company’s analysis of the incremental decommissioning and remediation costs of Colstrip. If PSE chooses not to conduct a study of these costs now it should describe the basis for not doing so.

Further, the concern that the decommissioning or remediation costs “would be treated as commercially sensitive information” is irrelevant to whether PSE should expend the effort to identify those costs.³ Concerns about the Commission’s non-disclosure procedure should not prevent the Company from obtaining the data needed to fully understand the costs of operating Colstrip. If concerns arise about confidential information, Staff is committed to working with the Company and stakeholders to ensure the appropriate treatment of such information.

The Draft Colstrip Analysis states that, “[r]etirement and remediation costs may affect the decision on whether or when to retire Colstrip, but they will not impact the planning analysis for how to replace Colstrip’s contribution to capacity need cost effectively.”⁴ The decision on whether or when to retire Colstrip is not an insignificant matter and will have influence on the scenarios considered for the optimal resource mix modeled in the 2013 IRP.

- Staff recommends that PSE expend the resources to estimate decommissioning and remediation costs or provide an estimate of the expense of such a study and describe its basis for not conducting the study at this time.

² Puget Sound Energy, Draft Colstrip Scenario & Portfolio Analysis for 2013 IRP, page 3.

³ Puget Sound Energy, Draft Colstrip Scenario & Portfolio Analysis for 2013 IRP, page 4.

⁴ Ibid.

Colstrip Retirement

Continuing on the subject of Colstrip's retirement date, Staff thinks it is unreasonable for PSE to solely model a 2025 out-of-service date, when the Company asserts that the first round of new environmental regulations would require compliance in 2015. In part, PSE's 2025 out-of-service date is based on PSE's assumption that a 10-year exit plan will be negotiated with regulators, similar to exit plans negotiated for closure of the Boardman and Centralia coal plants. The Centralia closure was negotiated in the legislature, and Colstrip is not under the jurisdiction of either the Oregon or Washington commissions. While it is possible that a 10-year exit plan could be negotiated, that is not a guaranteed outcome.

- Staff requests that PSE consider both a 2025 and 2018 retirement date (the latter would be five years after the approval of this IRP).

Finally, Staff agrees with the Sierra Club's request to extend the time allotted for discussion of Colstrip. Given the limited time and variety of topics to discuss at the next IRP meeting on November 14 and 15, 2012, Staff suggests that PSE consider hosting a special workshop to continue the Colstrip discussion if the time at the upcoming meeting is insufficient.

Please contact Juliana Williams at jwilliam@utc.wa.gov or 360-664-1311 to continue your discussion of this issue.

Sincerely,



Deborah Reynolds
Assistant Director
Conservation and Energy Planning

cc: 2013 IRP Advisory Group