

Lauckhart written comments in Docket 180680 (PSE Ownership Transfer Proceeding)

I am an energy consultant and past employee of Puget Power. I was a VP of Power Planning at Puget for the last 5 years of my 22 years of employment there until I took an exit package during their merger with WNG and became an energy consultant.

Based on my involvement in transmission planning matters at PSE in the last 3.5 years, it is apparent that foreign ownership under Macquarie has been very problematic. Foreign ownership prioritizes financial returns for distant investors over local community values. A foreign investor that is investing retirement fund monies has the primary goal of maximizing the return they make on those invested funds. This becomes particularly problematic when it comes to Transmission Planning of PSE's internal transmission system since these owners, with a primary goal of maximizing profit, have worked to avoid knowledgeable review of their desired plans to build transmission lines in PSE's service territory. In pursuing profit, the foreign owners have the incentive to build large transmission projects that are not needed in order to increase ratebase and reap the WUTC regulated return on those unneeded investments.

I have insights and expertise regarding these matters as evidenced in part by the 17 documents I submitted in the most recent PSE Integrated Resource Plan. My resume' is included as Appendix H to the **Lauckhart-Schiffman Load Flow Study** report that is the first of these 17 documents (see attached list of the 17 documents). The Commissioners themselves have acknowledged these problems in their "*Acknowledgment Letter Attachment Puget Sound Energy's 2017 Electric and Natural Gas Integrated Resource Plan Dockets UE-160918 and UG-160919.*" [e.g. at Page 10 et seq in that document.]

Given what we now know about foreign investors, it is my belief that the WUTC needs to place more conditions on any transfer of ownership that continues to result in foreign investors. Conditions need to be placed on this new ownership arrangement in order to make sure a sale wouldn't harm PSE customers.

I have over three years of first-hand knowledge of these problems since I first became involved in Macquarie transmission planning matters in May of 2015. Foreign ownership under Macquarie has resulted in a number of abuses that need to be protected against in any new ownership arrangement with another foreign owner.

A high-level overview of the abuses of the transmission planning process by Macquarie are:

- 1) Failure to examine a distribution system backup option as an alternative to the proposed Lake Hills-Phantom Lake 115 KV looping line.
- 2) Failure to request that ColumbiaGrid include Energize Eastside (EE) as a part of a regional plan despite the fact the line allegedly would enhance BPAs ability to move power to Canada and would avoid reconductoring the SCL 230 KV line through the eastside. Macquarie chose not to request EE be a part of a regional plan because to be included in a regional plan ColumbiaGrid would have been required to study the need

for the line in an open and transparent fashion with stakeholder input. ColumbiaGrid did not do that. Further, FERC would have determined how much each entity (PSE and SCL and BPA) would be required to pay for the line. Further, if the EE line were ever permitted PSE would have been required to let Independent Transmission Companies bid to build and own the line...making its capacity available for use as needed by PSE and BPA under the ITCs Open Access Transmission Tariff. Macquarie wanted none of that to happen because Macquarie wanted to spend the money itself and have it included in PSE's ratebase by the WUTC.

- 3) Macquarie also did not want BPA to be identified with paying for the line because then BPA would have been required to do the Environmental Impact Study. I believe that Macquarie preferred to have the City of Bellevue do the EIS work because PSE could more easily influence that work.
- 4) Macquarie chose not to use PSEs transmission planning experts to study the need for EE. Instead, Macquarie hired an east coast consulting firm to study the need for EE, a consulting firm that Macquarie uses for other purposes outside of its PSE involvement. There is no evidence that this outside consulting firm has adequate knowledge of the northwest power grid and there is an appearance that the firm is very interested in keeping Macquarie happy rather than performing an appropriate study of the need for EE. Their studies are clearly flawed as I have pointed out in the 17 documents I filed in the PSE IRP.
- 5) Macquarie refused to let the EE line be studied in the PSE IRP in an open and transparent fashion with stakeholder input. They simply (a) refused to answer questions placed by non-PSE individuals and (b) refused to show their studies to stakeholders who requested them and who had CEII clearance from FERC.
- 6) Macquarie could have chosen to use EFSEC to do the permitting work on the line. Instead they chose to have 5 different jurisdictions each separately perform permit hearings. And they chose to have the City of Bellevue actually conduct two separate hearings...one for the line in the south half of Bellevue and one for the line in the north half of Bellevue. Through this problematic approach the interested public (e.g. PSE customers) would be required to participate in all of these hearings. And if one jurisdiction rejects the permit, then PSE can appeal that rejection to EFSEC. PSE customers are harmed by having to participate in all of these permitting proceedings in order to make their points.

There are current mechanisms in place in Washington State to avoid these abuses. PSE owners should be using these mechanisms. Macquarie chose not to use them. The WUTC should be requiring any new owner to agree in writing to use these mechanisms in the future.

I am proposing seven conditions to be added to the list of conditions proposed by the purchasing parties. These proposed conditions will ensure that the sale will not harm PSE customers when it comes to the new owners proposed transmission projects. These conditions require the new owner to make better use of existing mechanisms available to transmission owners.

These seven conditions are:

- 1) If PSE believes it may need to make major improvements to its Transmission System in order to meet reliability requirements, PSE will first address the matter in the IRP. PSE will provide their studies to interested parties in the IRP process for review and inspection and will answer questions from those parties. The process will include a robust analysis of alternatives to any proposed transmission line. If necessary, the interested parties will get CEI approval from FERC and/or sign non-disclosure agreements with PSE in order to get the information they think they need about the justification of the line and alternatives to it. This process is the same process that FERC calls "***an open and transparent process with stakeholder input.***" This is required by FERC for FERC jurisdictional transmission studies. It would be consistent with the PSE IRP rule regarding transmission needs. The WUTC should require the new owner to agree in writing that the new owner will do this.
- 2) PSE will do its transmission planning work under the auspices of its own transmission planning staff. They may choose to use consultants to help them, but it will be the PSE transmission planners that will testify to the appropriateness of the load flow work in the IRP and any permit proceeding. There is no evidence that Quanta was qualified to study the northwest transmission system. It is PSE transmission planners that have those qualifications. Clearly Quanta made many errors as evidenced in my filings in the IRP.
- 3) If after review in the IRP process PSE believes that a transmission project is necessary, then PSE will put the construction of the line out to bid so that third parties (i.e. Independent Transmission Companies...aka ITCs) can bid to do the construction and own the line with PSE getting use of the line under that company's FERC approved Open Access Transmission Tariff. That is consistent with FERC rules on building transmission lines for Regional Transmission projects. That is also consistent with the WUTC competitive bidding rule for needed new generation under which the WUTC wants to ensure that ratepayers get the needed infrastructure at the lowest cost.
- 4) Whether an ITC is selected to build the line or PSE itself will be building the line, the builder will attempt to get needed permits for building the line through EFSEC if EFSEC is authorized by law to permit the line. It makes no sense for PSE to go to five jurisdictions for a permit (and require PSE customers to participate in all these hearings) when EFSEC has the authority to grant the permit. EFSEC is much more knowledgeable about transmission needs studies and has an appropriate procedure where parties can submit testimony and cross examine PSE witnesses under oath. That is where the permitting should be done.
- 5) PSE will not tell WECC and/or ColumbiaGrid that they have committed to build a line until they have received permits for the line. They can advise WECC and/or

ColumbiaGrid that they intend to build the line if they can get permits, but WECC and ColumbiaGrid should run some base cases without any PSE proposed line until permits to build the line are granted.

- 6) With respect to Energize Eastside, Macquarie/PSE have spent a lot of money trying to permit the line through filings with three of the 5 cities where they would need permits, but have not followed through on requesting all the permits. They have not asked EFSEC to permit the line. If the new owners believe that Energize Eastside is needed, they will request that EFSEC approve the line under the EFSEC procedures. PSE will make available to interested parties their load flow studies they believe justify the new line. Then parties can testify themselves at EFSEC on the need for the line and cross examine PSE witnesses under oath on their studies.

- 7) Also, with respect to Energize Eastside, PSE will never request inclusion in ratebase of any dollar amounts that PSE has spent on their failed effort to get CUP permits from 5 different jurisdictions. It was imprudent to start down that path and then simply stop. And it was not prudent to refuse to show their studies to stakeholders who wanted to review the studies.

Supportive Documents provided by Richard Lauckhart in Docket No. UE-160918
[Related to the need for Energize Eastside (EE)]

<u>Date document filed</u>	<u>Brief Document Description...See full Document in UE-160918 record</u>
July 25, 2017	Several documents filed as follows: Supporting Document 1 -Lauckhart-Schiffman Load Flow study showing EE is not needed (includes my resume') Supporting Document 2 - Rebuttal to PSE criticisms of Lauckhart-Schiffman including Q's and challenges to PSE Supporting Document 3 -Part 3: Email demonstrating that there is no Firm Requirement to deliver Canadian Entitlement Power to the Canadian Border Supporting Document 4 -Copy of "Agreement on Disposals of the Canadian Entitlement within the United States" covering the years 1998-2024 referred to in the email above Supporting Document 5 -Blowing the Whistle Slide show questioning PSE's motive and proof of the need for EE Supporting Document 6 -Backstory on PSE's motive to build EE Supporting Document 7 -Setting the record straight on EE Technical Facts
July 31, 2017	Supporting Document 8 -Comments I made to ColumbiaGrid pointing out the error in their System Assessment write-up regarding the need to deliver 1,350 MW of Treaty power to the Canadian border
August 2, 2017	Supporting Document 9 -Evidence that ColumbiaGrid had no substantive role in determining the need for EE
August 14, 2017	Supporting Document 10 -Email describing alternatives that would be better than EE if in the future there is a need for reliability improvements on the Eastside. These include more DSM, batteries, 230/115 transformer at Lake Tradition, looping the SCL 230 KV line through Lakeside, or a small peaker plant strategically located (e.g. at the Lakeside substation). Some of these alternatives have the added benefit of helping meet PSE's Total System Peak capacity deficiency that is indicated in this IRP while solving any local infrastructure need (e.g. any infrastructure need on the eastside). Supporting Document 11 -Comments demonstrating that the Seattle City Light line is a legitimate and better alternative to EE if there is a need and PSE chooses to use the FERC Open Access Transmission Tariff (OATT) rules available to them in order to enable this option to happen
August 21, 2017	Supporting Document 12 -Document describing the "fatal flaws" in the Load Flow studies PSE ran in an attempt to justify EE. Documents filed this day also include the documents

that PSE has alleged show the need for EE because these documents are referenced in the “fatal flaws” write-up

- August 22, 2017 **Supporting Document 13**-Document providing further evidence that the ColumbiaGrid System Assessment write-up stating there exists a Firm Commitment to deliver 1,350 MW of Treaty Power to the Canadian Border is not correct. Includes an email from ColumbiaGrid stating that BPA was the one that told them that such a Firm Commitment exists [even though BPA responded in a Public Record Act request that no such Firm Commitment exists]. ColumbiaGrid explains that it makes no check on what BPA tells them when they write their System Assessment document. They just include the BPA un-validated allegation in their System Assessment write-up. This allegation has subsequently been refuted by BPA in their response to the Public Records Act request
- Sept 12, 2017 **Supporting Document 14**-Questions regarding EE for PSE to respond to at their October 5 IRP Advisory Group meeting
- Sept 14, 2017 **Supporting Document 15**-One further question for PSE to respond to at their October 5, IRP Advisory Group meeting, i.e. Why has PSE chosen not to re-run their flawed EE Load Flow studies to fix the flaws?
- October 1, 2017 **Supporting Document 16**-Document explaining the difference between (1) a WECC Path Rating and (2) a Firm Commitment for transmission delivery. Explains that PSE is erroneously treating the WECC Path Rating for the Northwest to Canada path as if it were a “Firm Commitment” in its Load Flow studies allegedly showing the need for EE. This treatment of WECC Path Ratings is wrong. PSE needs to re-run their Load Flow studies allegedly showing the need for EE to eliminate these non-required inter-regional flows.
- October 6, 2017 **Supporting Document 17**-Comments Lauckhart made at the October 5, 2017 PSE IRP Advisory Group meeting