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Filed via Web Portal and Hand Delivery

May 31, 2013

Mr. Steven V. King, Acting Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 South Evergreen Park Drive S.W.
P.O. Box 47250
Olympia, WA 98504-7250

2013 MAY 31 AM 9:45
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DIVISION

**Re: 2013 Integrated Resource Plan
WAC-Required Report, WAC 480-100-238 and
WAC-Required Report, WAC 480-90-238**

Dear Mr. King:

Enclosed for filing, please find an original and twelve copies of Puget Sound Energy, Inc.'s ("PSE" or the "Company") 2013 Integrated Resource Plan ("2013 IRP" or "IRP") Chapters 1 – 7 and the Appendices A – N. This document presents information and analysis to comply with both the electric utility integrated resource planning requirements under WAC 480-100-238 and the natural gas utility resource planning requirements under WAC 480-80-238. It also meets the requirements of RCW 19.280.030.

Statutory/Regulatory Requirements

As noted in Appendix B, this IRP meets all the requirements of WAC 480-100-238 and WAC 480-90-238. Here is the summary for the electric side (WAC 480-100-238):

Statutory/Regulatory Requirement	Chapter / Appendix
<i>WAC 480-100-238 (3) (a)</i> A range of forecasts of future demand using methods that examine the effect of economic forces on the consumption of electricity and that address changes in the number, type and efficiency of electrical end-uses.	<ul style="list-style-type: none"> • Chapter 4, Key Assumptions • Appendix H, Demand Forecasts
<i>WAC 480-100-238 (3) (b)</i> An assessment of commercially available conservation, including load management, as well as an assessment of currently employed and new policies and programs needed to obtain the conservation improvements.	<ul style="list-style-type: none"> • Chapter 5, Electric Analysis • Appendix N, Demand-side Resources Analysis

Statutory/Regulatory Requirement	Chapter / Appendix
<i>WAC 480-100-238 (3) (c)</i> An assessment of a wide range of conventional and commercially available nonconventional generating technologies.	<ul style="list-style-type: none"> • Chapter 5, Electric Analysis • Appendix D, Electric Resource Alternatives
<i>WAC 480-100-238 (3) (d)</i> An assessment of transmission system capability and reliability, to the extent such information can be provided consistent with applicable laws.	<ul style="list-style-type: none"> • Chapter 7, Delivery Infrastructure Planning • Appendix E, Regional Transmission Resources
<i>WAC 480-100-238 (3) (e)</i> A comparative evaluation of energy supply resources (including transmission and distribution) and improvements in conservation using the criteria specified in WAC 480-100-238 (2) (b), Lowest reasonable cost.	<ul style="list-style-type: none"> • Chapter 5, Electric Analysis • Chapter 2, Developing the Resource Plan • Appendix E, Regional Transmission Resources • Appendix K, Electric Analysis
<i>WAC 480-100-238 (3) (f)</i> Integration of the demand forecasts and resource evaluations into a long-range (e.g., at least ten years; longer if appropriate to the life of the resources considered) integrated resource plan describing the mix of resources that is designated to meet current and projected future needs at the lowest reasonable cost to the utility and its ratepayers.	<ul style="list-style-type: none"> • Chapter 5, Electric Analysis • Chapter 2, Developing the Resource Plan
<i>WAC 480-100-238 (3) (g)</i> A short-term plan outlining the specific actions to be taken by the utility in implementing the long-range integrated resource plan during the two years following submission.	<ul style="list-style-type: none"> • Chapter 1, Executive Summary (Section 3, Action Plans)
<i>WAC 480-100-238 (3) (h)</i> A report on the utility's progress towards implementing the recommendations contained in its previously filed plan.	<ul style="list-style-type: none"> • Appendix B, Legal Requirements and Other Reports
<i>WAC 480-100-238 (4)</i> Timing. Unless otherwise ordered by the commission, each electric utility must submit a plan within two years after the date on which the previous plan was filed with the commission. Not later than twelve months prior to the due date of a plan, the utility must provide a work plan for informal commission review. The work plan must outline the content of the integrated resource plan to be developed by the utility and the method for assessing potential resources.	<ul style="list-style-type: none"> • 2013 Integrated Resource Plan Work Plan filed with the WUTC in May 2012 • Chapter 1, Executive Summary (Section 3, Action Plans)
<i>WAC 480-100-238 (5)</i> Public participation. Consultations with commission staff and public participation are essential to the development of an effective plan. The work plan must outline the timing and extent of public participation. In addition, the commission will hear comment on the plan at a public hearing scheduled after the utility submits its plan for commission review.	<ul style="list-style-type: none"> • Appendix A, Public Participation

Public Participation

As noted in Appendix A, PSE is committed to public involvement in the planning process. Stakeholder meetings generated valuable constructive feedback, and the suggestions and practical information that PSE received from both organizations and individuals helped guide the development of this 2013 IRP. We wish to thank all who participated.

Throughout the development of the IRP, PSE works with external stakeholders through an informal group called the Integrated Resource Planning Advisory Group (“IRPAG”). WAC 480-90/100-238 requires PSE to develop the IRP and implement the two-year action plan it recommends; the IRPAG is the primary means of satisfying the public involvement requirements of the rule. While the IRP document is not a product of “consensus,” the IRPAG engages PSE and participants in a consultative process that has proven to be a meaningful way for PSE planning staff to receive input on many key framework assumptions and related issues. Public dialogue with stakeholders during this IRP cycle was very useful for the Company in developing the plan, and we are grateful for the time each individual took to help provide input, feedback, and alternative perspectives. Here are two examples of how this public dialogue with participants influenced the 2013 IRP.

CO₂ costs and environmental risks. The topic of carbon “costs” versus “potential taxes” generated considerable dialog among the public participation group. Stakeholders provided numerous journal article references and also suggested we discuss the issue with staff at Lawrence Berkley Labs. PSE staff reviewed the articles and contacted the lab. Ultimately, this led us to the “social costs” for carbon that are modeled in this IRP analysis: A contact at Lawrence Berkley Lab recommended using the *Technical Support Document: Social Cost of Carbon for Regulatory Impact Analysis under Executive Order 12866*. Dialogue with participants also led directly to an updated discussion of the potential regional impacts of climate change in Appendix C, Environmental Matters.

Colstrip analysis. Stakeholders meaningfully influenced two key aspects of the Colstrip analysis through the public IRPAG process. The first was to focus the analysis on market conditions that could impact the economic viability of continuing to operate Colstrip, rather than on a “what if PSE sold its interest” scenario. PSE agreed the former was a more appropriate focus for the IRP analysis. Second, participants – specifically the Sierra Club – reviewed the assumptions in the three environmental compliance cost cases we developed for Colstrip in detail and provided thorough feedback. In response to this public feedback, we developed a fourth case that modeled significantly higher costs for disposal of coal combustion residuals (CCR) should federal guidelines designate CCR as “hazardous waste.” This provided a wider bookend of potential results than the initial three cases PSE developed.

The creation of these three, and then subsequently four, environmental compliance cost cases demonstrates that PSE worked cooperatively together with IRPAG participants on developing these numbers. This filing is consistent with the Commission's Order No. 08 (Final) in UE-111048, in ensuring that the Commission has available the information the Commission requires with respect to Colstrip.¹

In addition to the structured public IRPAG meetings, PSE spoke one-on-one with individual IRPAG participants. These conversations were very productive, allowing a freer flow of ideas than is often possible to achieve in a group setting. The combination of one-on-one discussions and group meetings was particularly helpful in gaining public feedback.

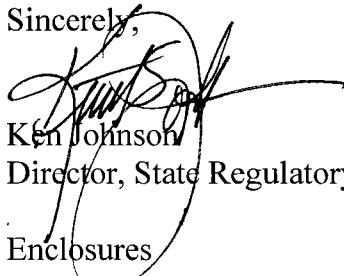
Impact on RFP Solicitation Process

As noted in the Executive Summary and Chapter 5, the Company does not have an electric peak hour capacity need until the year 2017, and does not have a renewable energy need until the year 2022. Consistent with WAC 480-107-015(3)(a), since the Company does not need additional capacity within three years (2014, 2015, 2016) the Company does not need to initiate an RFP solicitation process under WAC 480-107-015 subsequent to this IRP.

The Company looks forward to presenting the 2013 IRP to the Commissioners, when it is most convenient for the Commission. The Company looks forward to a dialogue and receiving feedback to help the Company continue to improve and refine its resource planning process.

If you have any questions about the information contained in this filing, please contact Phillip Popoff, Manager, Integrated Resource Planning, at 425-462-3229.

Sincerely,



Ken Johnson
Director, State Regulatory Affairs

Enclosures

¹ WUTC Order No. 08 (Final) in Docket Nos. UE-111048 and UG-111049 at ¶ 426: "We expect those who participate in PSE's next IRP to work cooperatively together to make such information available as needed. If there are problems in this regard, they may be brought to the Commission and alternative means may be ordered to ensure the Commission has available the information analyses it requires with respect to Colstrip."