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March 2, 2022 UE-210795

Via Electronic Filing

Amanda Maxwell
Executive Director
Washington Utilities & Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

Re: PUGET SOUND ENERGY,
Clean Energy Implementation Plan.
Docket UE-210795

Dear Executive Director Maxwell:

Pursuant to the Washington Utilities and Transportation Commission's ("Commission") December 28, 2021 Notice of Opportunity to file comments in the above-referenced docket, the Alliance of Western Energy Consumers ("AWEC") files these comments on Puget Sound Energy's ("PSE") Clean Energy Implementation Plan ("CEIP").

The primary cost driver for PSE's CEIP is PSE's reliance on new utility scale renewable generation to make progress towards the Clean Energy Transformation Act's ("CETA") 2030 clean energy compliance requirements. PSE's CEIP relies on a resource acquisition plan that differs substantially from the least cost, least risk plan identified in PSE's 2021 Integrated Resource Plan ("IRP"). PSE's 2021 IRP preferred portfolio was a renewable resource acquisition plan designed to accommodate a linear glide path from current renewable energy production to the 2030 compliance requirement. In its CEIP, PSE proposes accelerating renewable resource acquisitions up to the maximum allowable under CETA's incremental cost cap, at a cost to customers of $500 million.

When making new investments, CETA requires among other things that PSE, "to the maximum extent feasible: (i) Achieve targets at the lowest reasonable cost, considering risk."[1] Accordingly, AWEC opposes PSE's plan because it will result in cost and risk increases to PSE customers that greatly exceed the requirements of CETA. PSE can comply with CETA at a lower cost by acquiring resources along a linear glide path, as selected in PSE's 2021 IRP.

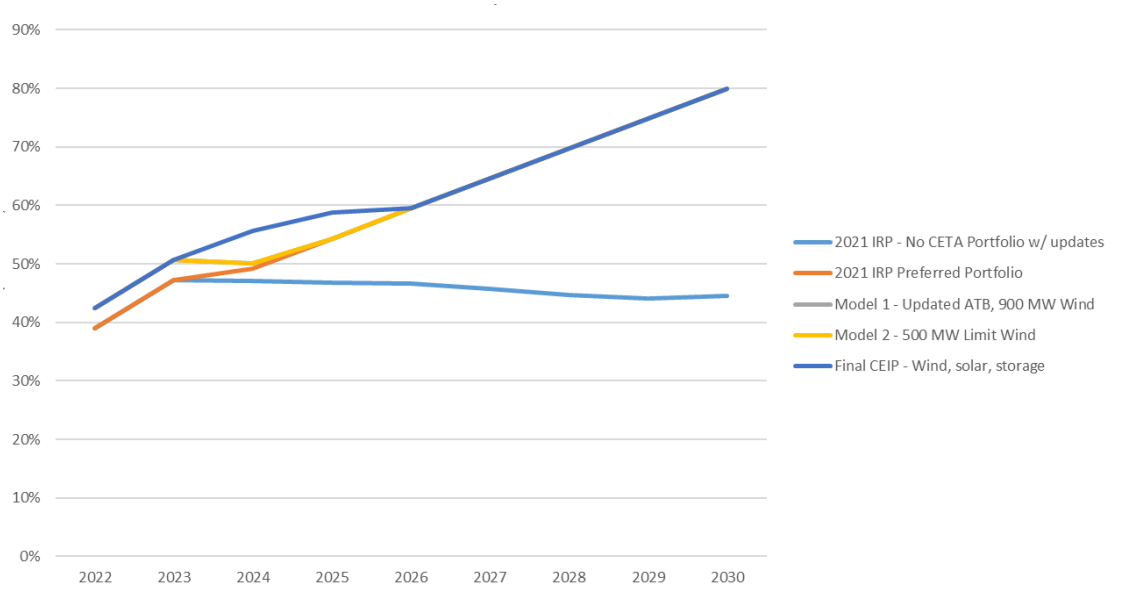
[1] RCW 19.405.040(6)(a)(i).

I. COMMENTS

A. PSE's CEIP resource acquisition plan differs substantially from PSE's 2021 IRP.

PSE's 2021 IRP preferred portfolio was developed to accomplish a linear glide path in net renewable energy from 40 percent in 2022 to 80 percent in 2030. The CEIP resource portfolio differs significantly from the 2021 IRP's least cost, least risk portfolio. The figure below compares the net renewable energy resulting from the 2021 IRP preferred portfolio with several interim models and the Final CEIP.[2/]

Figure 1: PSE CETA Interim Net Renewable Energy Targets



In developing its Final CEIP resource plan, PSE performed additional IRP-type modeling with updated cost parameters. The updated modeling resulted in a least cost portfolio that was very similar to the 2021 IRP portfolio ("Model 1"). PSE arrived at its final CEIP plan by making two costly changes to the least cost portfolio. First, PSE substituted solar generation for wind generation ("Model 2"). Then PSE accelerated the timing of renewable resources identified in Model 2 into earlier years, until CETA's incremental cost cap became binding ("Final CEIP Model").

The final CEIP resource plan has more expensive resource types, and resources built earlier, relative to the least cost plan. The plan deviates from the linear glide path assumed in the 2021 IRP and results in a steeper period of resource acquisition through 2024, followed by relatively flat resource acquisition from 2024 to 2026, at which time the IRP and CEIP resource plans converge.

2/ PSE presentation to AWEC on February 15, 2022.

PSE effectively developed the CEIP resource acquisition plan by maximizing the cost of compliance subject to the incremental cost cap without analyzing the costs and risks of this strategy relative to alternative approaches. PSE's justification for accelerating resource acquisitions is not transparent and not logical. At no place in its CEIP does PSE disclose that its CEIP resource acquisition plan was designed to maximize the cost of complying with CETA. Instead, PSE mischaracterizes the accelerated resource acquisitions as meeting interim targets. PSE states: "PSE anticipates needing to make significant investments in clean energy activities in this implementation period equal to approximately a two-percent rate increase per year in order to meet the specific and interim targets in this CEIP."[3/] In other words, PSE claims that the need to meet interim targets drives costs up to the incremental cost cap, when in fact it was PSE's objective of reaching the incremental cost cap that drove the interim targets.

PSE makes a grave and costly error in misinterpreting the incremental cost cap to be a cost target. AWEC believes that the incremental cost cap was put in place to protect utility customers against burdensome cost increases associated with achieving CETA requirements. But PSE's own IRP shows that it does not need to invest up to the incremental cost cap to reach CETA's 2030 requirements. Under PSE's interpretation of the cap, it does not function as a customer protection mechanism. Presumably, if CETA did not contain an incremental cost cap, PSE would have retained the linear glide path used in its 2021 IRP. Thus, the presence of the cap resulted in PSE proposing a *more* burdensome plan, rather than a less burdensome plan. This is not a logical interpretation of the cap.

B. PSE's CEIP plan is not cost effective.

PSE's CEIP is more costly than a plan that uses a linear glide path to 2030 compliance for interim targets. PSE provided AWEC with the cost of a linear glidepath (Model 1) and the Final CEIP Model. The table below illustrates the difference in the 24-year levelized cost for these two models.[4/]

	24-Year Levelized Cost
Model 1 (Linear Glide Path)	$13.2 Billion
Final CEIP Model (Accelerated Acquisition)	$13.7 Billion
Excess Cost	$500 Million

The cost of substituting resource types and accelerating acquisition is $500 million over the planning horizon. It should be noted that PSE does not account for carbon costs in the costs of its resource portfolios. Thus, it is possible that PSE's CEIP portfolio provides some economic value with respect to incremental avoided carbon emissions. However, PSE has performed no analysis to identify what those savings might be, and it is highly unlikely that the modest carbon benefit from accelerated acquisition would exceed $500 million over the life of the portfolio. PSE should provide this information in reply comments.[5/] Additionally, it should be noted that

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[3/] PSE CEIP at 173.

[4/] PSE presentation to AWEC on February 15, 2022.

[5/] While the levelized costs in the above table do not include carbon costs, the portfolio development model did include a social cost of carbon. The fact that the renewable glide path was a binding constraint in resource selection means that the incremental social cost of carbon associated with Model 1 relative to the Final

the $500 million identified above is only the incremental cost of the current CEIP over the linear glide path solution to CETA. The current CEIP retains a linear glide path for years after 2025. If future CEIPs adopt a similar approach to treating the cost cap as a target, the cost difference could easily swell to several times this amount.

C. Linear glide path is more aggressive than other Washington utilities.

PSE's Model 1 assumption of a linear glide path may be overly aggressive and costly. Avista Corp., a Washington utility subject to CETA, proposed a convex path to 2030 compliance. Avista begins at a similar place as PSE, with 40 percent net renewable energy target in 2022. Avista proposes increasing to 45 percent in 2025. This is substantially lower than the 55 percent that would be needed for a linear glide path. Avista's convex glide path offers an even more cost-effective approach to meeting 2030 compliance requirements than PSE's linear glide path in Model 1. Accordingly, the cost impact of PSE's CEIP is potentially even greater than $500 million relative to a truly lowest reasonable cost strategy.

II. CONCLUSION AND RECOMMENDATION

PSE's CEIP costs $500 million dollars more than a linear glide path. The CEIP proposes resource types and acquisition years that are not legally required, are illogical, and that are not cost effective. AWEC recommends that the interim targets resulting from the 2021 IRP preferred portfolio be adopted.

Dated this 2nd day of March, 2022.

Respectfully submitted,

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CEIP Model was less than the additional monetary cost of the Final CEIP Model. The IRP model assumed a social cost of carbon from $69 per ton in 2020 to $189 per ton in 2045.