

December 18, 2019

Dear Commissioners,

As a member of Puget Sound Energy's Technical Advisory Group (TAG) for the company's 2019 Integrated Resource Plan, I would like to comment on Docket UE-190698 in the hope of improving the IRP process and respecting the role of the public in this important endeavor. I share examples of how PSE has obscured critical data and sidelined TAG member concerns, violating multiple sections of the Revised Code of Washington, Washington Administrative Code, and the TAG charter. I provide specific suggestions to remedy these problems, including greater transparency, requirements to answer reasonable questions, and justifying major projects by referencing needs in the latest IRP.

Public participation in the IRP process

Washington Administrative Code 480-100-238(5) emphasizes the importance of public input in the development of Integrated Resource Plans for investor-owned utilities serving our state. PSE attempts to fulfill this public participation requirement through two groups: The Integrated Resource Plan Advisory Group (IRPAG) and the Technical Advisory Group (TAG).

The IRPAG is a loosely organized group essentially comprised of anyone who wishes to provide inputs on PSE's IRP (see IRPAG charter¹). There is no official membership list. IRPAG comments can be submitted in writing or orally during occasional IRPAG meetings. PSE does not specifically respond to these comments. At best, this is a one-way conversation.

PSE vets and approves TAG volunteers who possess "technical expertise in energy resourcing, transmission, utilities, conservation, and economics" (see TAG charter²). The TAG includes representatives from industry, government, and approximately a dozen environmental organizations. The TAG convenes for day-long meetings on a monthly basis during the development of the IRP.

Before the TAG was formed, I participated in IRPAG meetings, sometimes asking questions about PSE's transmission upgrade project known as "Energize Eastside." PSE chose to ignore these questions and similar queries from other members of the public. This was the uneasy status quo for over a year during the development of the 2017 IRP. However, when an increasing number of environmental activists started attending IRPAG meetings and asking questions about carbon emissions and other environmental issues, PSE created the TAG, where only recognized representatives could speak.

Despite (or because of) my previous participation in the IRPAG, a PSE employee called to inform me that I would not be allowed to join the TAG, because I was not an "industry professional." I ignored this call and submitted my application and resume anyway. To my surprise, PSE accepted my application. I informed at least four former IRPAG participants of my success, and they used the same method to become TAG members as well.

While I am pleased to represent my community on the TAG, the experience has been frustrating. PSE withholds information we need to represent our communities and meaningfully advise the IRP process.

¹ https://www.pse.com/-/media/PDFs/001-Energy-Supply/001-Resource-Planning/IRP_2019_IRPAG_Charter_Final.pdf

² https://www.pse.com/-/media/PDFs/001-Energy-Supply/001-Resource-Planning/IRP_2019_TAG_Charter_Final.pdf

PSE withholds data and analysis

Following are multiple instances where PSE withheld critical data from TAG members or sidelined presentations that would have been helpful to inform the planning process.

- **Weather data.** My fellow TAG member, James Adcock, has asked PSE for years how the company is using historic weather data to “normalize” peak demand forecasts. In the most recent IRP Progress Report, PSE says the planning team uses 30 years of historical data, but the calculation remains opaque and controversial. The 30-year timeframe does not properly weight recent efficiency trends and warming winters. The Scott Madden consulting firm recommends a 15-year timeframe for weather normalization,³ and the New York Public Service Commission authorized use of 10-year periods to be used in rate cases for several utilities. So far, PSE refuses to discuss this critical modeling decision. The impact is that the PSE IRP will “justify” building unnecessary power generation resources due to artificially high winter peak forecasts.
- **Historic peak demand.** PSE has continually resisted publication of data showing actual, non-normalized peak demand values. I finally found this data in annual Form 1 filings that PSE submits to FERC. When I published these values, PSE criticized me for misleading the public.⁴ When I persisted, PSE finally published a graph showing 25 years of December peak data, which shows a statistically insignificant rise in peak demand of 0.2% per year. However, the 10- or 15-year graphs show a more pronounced *decline* in peak demand. At the date of this letter, PSE has not acknowledged this decline. The impact of a questionable peak demand forecast is an IRP analysis that calls for unnecessary power generation resources.
- **Conservation.** During a webinar to discuss PSE’s incorporation of the “Social Cost of Carbon” in its resource modeling, PSE stated one of its three top conclusions:

*With the CETA renewable requirement, significantly more conservation is added than the 2017 IRP.*⁵

I asked PSE to quantify the difference: how many megawatts will conservation reduce **peak demand** compared to the 2017 forecast? After ignoring the question several times, PSE eventually admitted that no quantitative comparison of conservation’s impact on peak demand is currently available, but a comparison will be included in the 2021 IRP. However, PSE is making resource acquisition decisions now. Without this important data, TAG members do not have enough information to know whether PSE’s acquisitions are necessary, prudent, and in the best interest of ratepayers and the environment. The impact of this situation is that TAG members are not able to provide technical oversight as specified by the TAG charter.

³ <https://www.scottmadden.com/insight/traditional-weather-normalization-practices-used-utilities-ratemaking-process-appropriate-given-increased-climate-variability/>

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https://www.utc.wa.gov/_layouts/15/CasesPublicWebsite/GetDocument.aspx?docID=56&year=2018&docketNumber=180607, p. 4 (footnote)

⁵ https://oohpseirp.blob.core.windows.net/media/Default/11_Dec_Webinar/2019-IRP-Dec-11-2019-SCC-webinar-revised-1.pdf, slide 2

- **Demand Response.** In the same webinar, PSE concluded that natural gas peaker plants would be more cost effective than investing in demand response and energy storage for at least the next 10-15 years. TAG members note that this finding contradicts the Seventh Power Plan from the Northwest Power and Conservation Council:

*The Council's assessment identified more than 4,300 megawatts of regional demand response potential. A significant amount of this potential, nearly 1,500 megawatts, is available at relatively low cost – less than \$25 per kilowatt of peak capacity per year. When compared to the alternative of constructing a simple cycle **gas-fired turbine**, demand response can be **deployed sooner**, in quantities **better matched** to the peak capacity need, **deferring the need** for transmission upgrades or expansions. In particular, demand response is the **least expensive** means to maintain peak reserves for system adequacy.⁶*

For many utilities across the country, demand response and energy storage are replacing the need for new (and existing) gas peaker plants. As reported in US News & World Report: “When it comes to peakers, ... the crossover point between batteries and gas-fired generation has arrived.”⁷ PSE bears the burden of explaining why the company is coming to the opposite conclusion.

During the webinar, TAG members submitted a number of written chat comments questioning PSE’s analysis of demand response:

- “These demand response results don’t make any sense. Can you explain your view of what is going on here again?”
- “Are contract and New [demand response] the same items? They are the same color [on PSE’s chart] so it is impossible to know which one is which.”
- “Something is seriously wrong with your demand response analysis. I encourage you to relook at that element.”
- “Was this follow-up analysis done mainly for informational purposes? Does PSE consider the results to be usable as a basis for actual resource acquisition decisions?”

The lack of Demand Response in PSE’s preliminary analysis of the Social Cost of Carbon suggests a serious modeling problem which, until corrected, makes all IRP analyses suspect and not appropriate for acquisition decision making.

- **Efficiency.** TAG members are very interested in energy efficiency as a low-cost resource. As described in the Seventh Power Plan, “energy efficiency consistently proved the least expensive and least economically risky resource. In more than 90 percent of future conditions, cost-effective efficiency met all electricity load growth through 2030 and in more than half of the futures all load growth for the next 20 years.”⁸

⁶ https://www.nwcouncil.org/sites/default/files/7thplanfinal_chap01_execsummary_6.pdf, p. 1-10

⁷ <https://www.usnews.com/news/national-news/articles/2019-05-21/why-california-nixed-a-natural-gas-power-plant-in-favor-of-batteries>

⁸ https://www.nwcouncil.org/sites/default/files/7thplanfinal_chap01_execsummary_6.pdf, p. 1-1

The importance of a thorough consideration of energy efficiency in the IRP is supported by RCW 19.280.030(1)(j) which requires “a long-range assessment describing the mix of supply side generating resources and **conservation and efficiency resources** that will meet current and projected needs ... at the **lowest reasonable cost and risk** to the utility and its customers.”

As memorialized in the meeting notes for TAG meeting #6 (May 29, 2019), PSE agreed to allocate one hour in a subsequent meeting for a presentation of efficiency options by TAG member Court Olson.⁹ However, PSE canceled the meeting and never rescheduled Mr. Olson’s efficiency presentation.

The impact of this unfortunate PSE decision is two-fold. First, PSE is ignoring technical inputs from their long-term TAG members, a clear violation of public participation statutes. Second, PSE’s IRP may be biased, making it invalid for prudent decisions regarding resource acquisition.

- **Transmission questions.** TAG member Warren Halverson has frequently questioned PSE’s transmission plans in accordance with Washington Administrative Code 480-100-238 (3)(e), which states that transmission and distribution resources should be included in the IRP. This led to the inclusion of chapter 8 in the 2017 IRP, which uses “Energize Eastside” as an example “to illustrate the evaluation, analysis and community involvement PSE performs in the process of making system improvement decisions.”¹⁰ However, this chapter defers all technical questions to several outdated studies performed by PSE’s paid consultants. It leaves many important technical questions unanswered, and the Commission listed five such questions in its response to the 2017 IRP.¹¹ Eighteen months later, PSE has not answered these questions and explicitly refuses to do so.¹² PSE also canceled two TAG meetings in 2019 which the company promised would “answer all our questions about Energize Eastside.”

This is a clear violation of RCW 19.280.030(1)(d), which says that an “IRP, at a minimum, must include ... transmission and distribution delivery costs,” and another example that PSE is violating its obligation to allow meaningful public participation in the development of the IRP.

- **Methane leakage.** TAG member Rob Briggs asked PSE many times what rate of methane leakage the company used in calculations of upstream emissions. This leakage rate is essential to gauge the cost of environmental damage caused through the mining, processing, and distribution of natural gas. PSE has refused to provide a straightforward accounting. The impact of this is particularly damaging under CETA and RCW 19.280.030(3)(a), both of which explicitly call for the Social Cost of Greenhouse Gases to be applied. Consequently, the PSE IRP may be in violation of Washington law and its own purpose of serving as a basis for cost-effective and environmentally sound acquisition of energy resources.

⁹ https://oohpseirp.blob.core.windows.net/media/Default/29_May_TAG_6/IRP-TAG-Meeting-6_Meeting-Notes-FINAL.pdf, p. 3

¹⁰ https://www.pse.com/-/media/PDFs/001-Energy-Supply/001-Resource-Planning/IRP17_Ch8.pdf, p. 8-30

¹¹ <https://www.utc.wa.gov/layouts/15/CasesPublicWebsite/GetDocument.ashx?docID=1760&year=2016&docketNumber=160918>, p. 10

¹²

https://oohpseirp.blob.core.windows.net/media/Default/Comment_Reports/2019_November_IRP_CommentSummary_WEB.pdf, p. 10

Conclusion

PSE continues to withhold or obscure data and modeling from the TAG. This lack of transparency prevents TAG members from responsibly representing the public's interest in the resource planning process.

In the examples cited above, PSE's actions violate **RCW 19.280.030(1)(j)** (proper accounting of conservation and efficiency resources), **RCW 19.280.030(1)(d)** and **WAC 480-100-238(3)(e)** (consideration of transmission and delivery costs in the IRP), **RCW 19.280.030(3)(a)** (accurate modeling of social cost of greenhouse gases), **WAC 480-100-238(5)** (public participation in the IRP process), and the **TAG charter**.

If the goal of Docket UE-190698 is to improve the IRP process, specific and stringent regulations must be created to achieve transparency and accountability that has been sorely lacking in the 2019 process.

Specific requests include:

1. PSE must provide TAG members with the modeling used by PSE to justify resource investment decisions. According to RCW 19.280.030(10)(a), "To maximize transparency, the commission, for investor-owned utilities, ... may require an electric utility to make the utility's data input files available in a native format." This has become an urgent need for TAG members to fulfill their responsibility to represent the public's interest.
2. PSE must conduct all TAG meetings in person. Webinars such as *The Social Cost of Carbon* allow PSE to ignore technical inputs and provide incomplete answers to reasonable questions. A webinar controlled by PSE makes it difficult for TAG members to have meaningful discussions with PSE representatives or fellow TAG members.
3. PSE must be required to address all technical inputs and questions from TAG members and UTC staff. Silence is not an acceptable answer. Likewise, questions like those posed in the Commission's response to the company's 2017 IRP must be answered.
4. PSE must cite a need as identified in the most recent IRP to justify all major projects (such as "Energize Eastside"). If an emergency occurs that requires an investment not mentioned in the IRP, PSE must be required to provide extra technical justification to explain why the IRP did not properly anticipate the need. If PSE does not provide an acceptable explanation, the Commission should presume the project is "not prudent" during subsequent rate case hearings and disallow return on PSE's investment.

Thank you for your service to the citizens of Washington.

Sincerely,

Don Marsh
Technical Advisor Group member