September 21, 2022

Amanda Maxwell
Executive Director and Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

RE: Dockets UE-220066 and UG-220067

Dear Executive Director Maxwell,

In a recent notice to its customers, PSE says it wants to raise residential electric rates by more than 20% during the next three years, and residential gas rates by almost 17%.

The Washington Clean Energy Coalition and supporters listed below focus on four reasons PSE gives for increasing rates. This summary of PSE's reasons and our responses is followed by discussion.

1. To continue to provide safe and reliable energy service (Reliability)

   Response: The reliability of PSE's services has not improved over the past decade. PSE should earn rate increases by improving metrics for quality of service, equity for all customers, cleaner energy, transparency and accountability, and other performance goals.

2. To decarbonize [PSE's] energy systems to comply with state mandates and meet the expectations of customers and stakeholders (Compliance with state mandates)

   Response: PSE is not investing sufficiently in energy efficiency, energy storage, time-varying rates, demand response and other measures that would accelerate the transition to clean energy, as well as improve reliability and lower customer costs. Also, PSE should not continue to use ratepayer funds to keep Colstrip running beyond 2025.

3. To recover more than four years of capital and operating investments made on behalf of customers and not currently included in PSE's rates (Cost recovery)

   Response: PSE has not proven that large projects like the Tacoma LNG facility, Lake Hills Transmission Line, or Energize Eastside are prudent investments for ratepayers. PSE should not be compensated for building projects with no clear justification, or which could be served by prudent, cost-effective clean energy alternatives.

4. To increase PSE's authorized return on equity from 9.4% to 9.9% (Return on investments)

   Response: PSE should not be rewarded with a higher rate of return on equity when it is not sufficiently engaging with the communities it serves nor addressing the priorities of customers and stakeholders.

Discussion

1. Reliability

According to PSE's annual reliability reports filed with the UTC, PSE has not improved the reliability of its electric service over the past decade. Of greater concern, reliability across PSE's service territory is not equitable. According to an annual report submitted to the City of Bellevue, customers in that city enjoyed half as many outages as the average PSE customer, and Bellevue power outages were only half as long. But even within Bellevue, variation in service quality has been dramatic. For example, the downtown area near PSE's headquarters had no outages during 2021, but several thousand residents living less than four miles from the company's headquarters endured at least three outages lasting more than eight hours in total. These metrics are at least two times worse than the average for PSE's entire service territory.

Here are some examples of ways that PSE could reduce painful outages for its customers. Batteries, microgrids, virtual power plants, larger repair crews, more frequent tree maintenance, undergrounding power lines, and better equipment monitoring and replacement would reduce outages. However, PSE is not investing enough in these programs and technologies. Instead, PSE pursues large infrastructure projects that maximize profits for its investors, but which have not been shown to make measurable improvements in reliability metrics or the daily lives of PSE customers. We offer three specific examples of imprudent infrastructure projects below in point 3 on Cost Recovery.

2. Compliance with state mandates

We expect a better plan from PSE for a clean energy future.

According to PSE's 2021 Integrated Resource Plan (IRP), the company plans to acquire meager amounts of **battery storage (25 MW)** and **demand response (23.7 MW)** in the coming years. Compared to total peak demand of 4,000-5,000 MW, these investments are barely an asterisk in PSE's Clean Energy Action Plan. We would prefer on-bill financing and stronger energy efficiency incentives, including conservation and decarbonization measures. Substantial utility investments in community solar, energy storage, microgrids, demand response, and time-varying rates would benefit the environment, support the equity goals included in the Clean Energy Transformation Act, and improve system reliability. In all such investments, PSE is lagging behind many other utilities (e.g., investor-owned Xcel Energy, as well as public utilities like Seattle City Light, Tacoma Power, and Sacramento Metropolitan Utility District).

Also, in its demand forecasting and planning, PSE is largely ignoring efficiency and decarbonization trends in existing and new buildings. State legislation has spurred this trend. In 2020 the Clean Buildings Act mandated energy performance standards for large existing commercial buildings, and in 2022 the law was amended to include buildings over 20,000 sq. ft., including multifamily. Existing buildings must conform over the next decade, so energy demand will be dropping. Meanwhile, the state code for new buildings tightens requirements every three years. By 2031 all new buildings must use 70% less energy than was allowed in 2006. Also, the State Building Code Council has mandated no future natural gas use for commercial space and water heating. The Washington Climate Commitment Act mandates future reductions. PSE's electricity and gas demand forecasting does not adequately anticipate these trends.

PSE should have anticipated the retirement of the Colstrip units 1 & 2 in 2019. A prudent utility would have replaced these coal-powered energy sources with clean renewables, rather than waiting for the Clean Energy Transformation Act to force action.

PSE ratepayers should not pay for repairs to Colstrip units 3 & 4 to extend their life beyond the 2025 deadline when coal generated electricity is no longer allowed on the Washington electric grid. This is imprudent and unfair to PSE ratepayers. We ask the Commission to reject any further support.

3. Cost recovery

PSE's proposed rate increase is unprecedented in its scale and scope. That is largely because PSE is seeking compensation for infrastructure projects completed in the past, as well as projects currently being built, and unspecified projects to be completed in the next three years. Many of the past projects have been vigorously opposed by PSE’s customers and are manifestly harmful to the environment. Are these projects prudent for PSE ratepayers?

Our first example of an imprudent project is the **Tacoma LNG plant**. This facility is predicated on PSE’s false assertion that public demand for natural gas will increase far into the future. This assumption ignores the reality of growing public demand for electric heat pumps instead of gas heating. State and local government regulations are increasingly moving to curtail the use of natural gas for space and water heating in both new and existing buildings. PSE claims the LNG storage tank could serve customers in a rare emergency scenario. However, any such need could be better addressed through PSE’s promotion of greater customer energy efficiency paired with battery storage, demand response, time-varying rates, and other measures that could mitigate an emergency situation. PSE claims the facility will provide cleaner fuel for marine shipping. Even if that is an admirable goal, the cost of cleaning up the shipping industry should not be borne by PSE ratepayers.

Another example of a questionable past project is the **Lake Hills Transmission Line**, built by PSE during the first months of the pandemic. PSE now seeks millions of dollars to recover project costs, even though the project was strongly opposed by the community it was intended to serve. The proposal was unanimously rejected by the East Bellevue Community Council, the community’s elected representatives. The community also raised thousands of dollars to study alternative solutions using automated fault detection and rerouting, batteries, or buried wires. But PSE refused to engage.

A third example is the **Energize Eastside** transmission upgrade project. PSE wishes to charge customers hundreds of millions of dollars for a project that is not complete and has not yet obtained land use permits to proceed with half the project. PSE chose to avoid a one-year permitting review by the state Energy Facility Site Evaluation Council and instead dragged the project through eight years of local land use hearings, thereby doubling the estimated cost of the project. PSE has stubbornly refused to study modern non-wire alternatives. Even since the Washington state legislature passed the Clean Energy Transformation Act in 2019, PSE has not evaluated a battery alternative. Furthermore, PSE has not accounted for significant peak demand reduction that is expected from the company’s upcoming time-varying rates program, which will shift peak loads and provide equitable cost reductions for customers who take control of their use patterns.

These three projects have several things in common. First, none of them serves the everyday energy needs of customers. Each is designed to address a reliability deficiency that has never occurred or has happened very rarely. Second, each reliability scenario is based on demand projections that are unrealistic and don’t account for the effects of climate change and changing energy demand trends. Third, each project has been harmful to communities, disadvantaged populations, and the environment. And finally, the need for each project could have been addressed with less harmful, cost-effective, modern alternatives. PSE’s ratepayers should not be required to pay for these imprudent projects.

4. Return on investments

PSE seeks to increase its return from 9.4% to 9.9%. Why should PSE's investors enjoy even larger returns for expenditures that are in many cases not serving the best interest of customers? PSE's total profits are likely to increase due to the expected growth from new clean energy infrastructure. PSE has not demonstrated how an increased markup percentage would benefit its customers. We urge the UTC to reject this unjustified request.

The organizations and individuals listed below ask the Commission to significantly curtail PSE's rate increases until the company prioritizes the needs and aspirations of its customers, rather than focusing primarily on increasing revenues for its owners.

Sincerely,

Washington Clean Energy Coalition

Organizations

[List to be added]

Individuals

[List to be added]