



2017 PSE Integrated Resource Plan

Chapters 1-8
Appendices A-P

November 2017

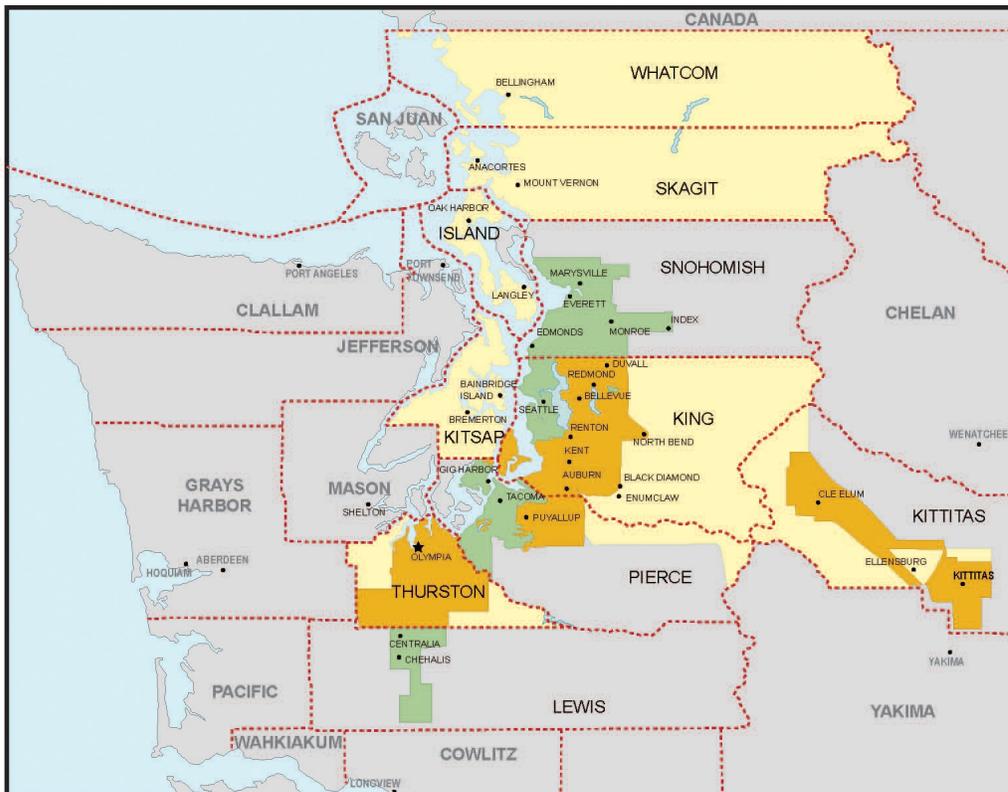




2017 PSE Integrated Resource Plan

About PSE

Puget Sound Energy is Washington state's oldest local energy company, providing electric and natural gas service to homes and businesses primarily in the vibrant Puget Sound area. Our service area covers more than 6,000 square miles, stretching from south Puget Sound to the Canadian border, and from central Washington's Kittitas Valley west to the Kitsap Peninsula. We serve more than 1.1 million electric customers and more than 800,000 natural gas customers in 10 counties.



- Combined electric and natural gas service
- Electric service
- Natural gas service



2017 PSE Integrated Resource Plan

Chapter and Appendix Contents

- i. About PSE*
- ii. Contents*
- iii. Key Definitions and Acronyms*

CHAPTERS

1. Executive Summary

1. OVERVIEW 1-3

- *Exciting Changes in Resource Outlook*
- *Impact of Uncertainty in Carbon Regulation*
- *The Future of Colstrip*
- *A Forecast, Not a Prescription*

2. ACTION PLANS 1-7

- *Action Plans vs. Resource Plan Forecasts*
- *Electric Action Plan*
- *Gas Sales Action Plan*

3. ELECTRIC RESOURCE PLAN FORECAST 1-11

- *Electric Resource Need*
- *Electric Portfolio Resource Additions Forecast*
- *Portfolio Cost and Carbon Emissions*

4. GAS SALES RESOURCE PLAN FORECAST 1-22

- *Gas Sales Resource Need*
- *Gas Portfolio Resource Additions Forecast*

5. THE IRP AND THE RESOURCE ACQUISITION PROCESS 1-26



2. Decisions

1. OVERVIEW 2-2

2. ELECTRIC RESOURCE PLAN 2-3

- *Resource Additions Summary*
- *Portfolio Optimization Results across Scenarios*
- *Portfolio Optimization Results by Resource Type*
- *Summary of Stochastic Portfolio Analysis*
- *Resource Plan Forecast: Application of Judgment*

3. GAS SALES RESOURCE PLAN 2-24

- *Resource Additions Summary*
- *Gas Sales Results across Scenarios*
- *Key Findings by Resource Type*
- *Resource Plan Decisions*

3. Planning Environment

1. GREENHOUSE GAS EMISSIONS 3-2

- *Clean Air Rule*
- *Clean Power Plan*
- *Other State and Local Government Policies*
- *Changing Customer Priorities*

2. REGIONAL RESOURCE ADEQUACY 3-5

3. CLIMATE CHANGE 3-7

- *Impacts on Peak Need*
- *Impacts on Energy Need*
- *Impacts on Hydroelectric System*

4. EMERGING RESOURCES/ENERGY STORAGE 3-12

- *Balancing Authority Challenges*
- *Energy Imbalance Market*

5. GAS SUPPLY AND PIPELINE TRANSPORTATION 3-14

6. THE ACQUISITION PROCESS 3-15



4. Key Analytical Assumptions

1. OVERVIEW 4-2

- *Economic Scenarios*
- *Portfolio Sensitivities*

2. KEY INPUTS 4-7

- *Demand Forecasts*
- *Gas Prices*
- *CO₂ Prices*
- *Developing Wholesale Power Prices*

3. SCENARIOS AND SENSITIVITIES 4-25

- *Fully Integrated Scenarios*
- *One-off Scenarios*
- *Baseline Scenario Assumptions – Electric*
- *Electric Portfolio Sensitivity Reasoning*
- *Gas Sales Assumptions*
- *Gas Sales Sensitivities*

5. Demand Forecasts

1. OVERVIEW 5-2

- *Treatment of Demand-side Resources*

2. ELECTRIC DEMAND FORECAST 5-3

- *Electric Load Growth*
- *Electric Peak Growth*
- *Illustration of Conservation Impact*
- *Details of Electric Forecast*

3. GAS DEMAND FORECAST 5-13

- *Gas Load Growth*
- *Gas Peak Growth*
- *Illustration of Conservation Impact*
- *Details of Gas Forecast*



4. METHODOLOGY 5-24

- *Forecasting Process*
- *High and Low Scenarios*
- *Updates to Inputs and Equations*

5. KEY ASSUMPTIONS 5-30

- *Economic Growth*
- *Energy Prices*
- *Other Assumptions*

6. Electric Analysis

1. ANALYSIS OVERVIEW 6-3

2. RESOURCE NEED 6-5

- *Components of Physical (Peak) Need*
- *Peak Capacity Need*
- *Energy Need*
- *Renewable Need*

3. ASSUMPTIONS AND ALTERNATIVES 6-17

- *Scenarios and Sensitivities*
- *Cost of Carbon Abatement Alternatives Analyzed*
- *Available Resource Alternatives*

4. TYPES OF ANALYSIS 6-24

- *Deterministic Portfolio Optimization*
- *Stochastic Risk Analysis*

5. KEY FINDINGS 6-29

- *Scenarios*
- *Sensitivities*
- *Carbon Abatement Curve*



6. SCENARIO ANALYSIS RESULTS 6-32

- *Portfolio Builds*
- *Portfolio Emissions*
- *Cost of Capacity*
- *Backup Fuel Capacity*
- *Renewable Builds*
- *Renewable Resource Costs*

7. SENSITIVITY ANALYSIS RESULTS 6-51

- *Colstrip*
- *Thermal Retirement*
- *No New Thermal Resources*
- *Stakeholder-requested Alternative Resource Costs*
- *Energy Storage*
- *Renewable Resources + Energy Storage*
- *Electric Vehicle Load*
- *Demand-side Resources*
- *Extended DSR Potential*
- *Alternate Residential Conservation Discount Rate*
- *RPS-eligible Montana Wind*
- *Offshore Wind Tipping Point Analysis*
- *Hopkins Ridge Repowering*

8. COST OF CARBON ABATEMENT ANALYSIS RESULTS 6-82

9. SUMMARY OF STOCHASTIC PORTFOLIO ANALYSIS 6-88

7. Gas Analysis

1. RESOURCE NEED & KEY ISSUE 7-3

- *Resource Need*
- *Gas Sales Key Issue*

2. ANALYTIC METHODOLOGY 7-8

- *Analysis Tools*
- *Deterministic Optimization Analysis*



3. EXISTING SUPPLY-SIDE RESOURCES 7-10

- *Existing Pipeline Capacity*
- *Transportation Types*
- *Existing Storage Resources*
- *Existing Peaking Supply and Capacity Resources*
- *Existing Gas Supplies*
- *Existing Demand-side Resources*

4. RESOURCE ALTERNATIVES 7-23

- *Combinations Considered*
- *Pipeline Capacity Alternatives*
- *Storage and Peaking Capacity Alternatives*
- *Gas Supply Alternatives*
- *Demand-side Resource Alternatives*

5. GAS SALES ANALYSIS RESULTS 7-36

- *Key Findings*
- *Gas Sales Portfolio Resource Additions Forecast*
- *Complete Picture: Gas Sales Base Scenario*
- *Average Annual Portfolio Cost Comparisons*
- *Sensitivity Analyses*

8. Delivery Infrastructure Planning

1. OVERVIEW 8-3

2. SYSTEM OVERVIEW 8-4

- *Responsibilities*
- *Existing System*

3. WHAT DRIVES INFRASTRUCTURE INVESTMENT? 8-8

- *Load Growth*
- *Reliability and Resiliency*
- *Regulatory Compliance*
- *Public Improvement Projects*
- *Aging Infrastructure*
- *Integration of Resources*



4. PLANNING PROCESS 8-12

- *System Evaluation*
- *System Needs, Modeling and Analysis*
- *System Alternatives*
- *Evaluating Alternatives and Recommended Solutions*
- *Public Outreach*

5. 10-YEAR INFRASTRUCTURE PLANS 8-23

- *Electric Infrastructure Plan*
- *Energize Eastside Transmission Capacity Project*
- *Gas Infrastructure Plan*

6. CHALLENGES AND OPPORTUNITIES 8-57

- *New Regulations*
- *Maturing System Alternatives*

APPENDICES

A. Public Participation

1. PUBLIC INPUT TO THE 2017 IRP A-2

2. IRPAG MISSION AND ROLE A-3

3. 2016/17 IRPAG MEETINGS A-5

B. Legal Requirements and Other Reports

1. REGULATORY REQUIREMENTS B-2

2. REPORT ON PREVIOUS ACTION PLANS B-8

- *2015 Electric Resources Action Plan*
- *2015 Gas Resources Action Plan*
- *2015 Gas-Electric Convergence Action Plan*



3. OTHER REPORTS B-15

- *Electric Demand-side Resource Assessment: Consistency with Northwest Power and Conservation Council Methodology*
- *Department of Commerce Integrated Resource Plan Cover Sheet*

C. Environmental and Regulatory Matters

1. ENVIRONMENTAL PROTECTION AGENCY REGULATIONS C-2

- *Coal Combustion Residuals*
- *Mercury and Air Toxics Standard*
- *Clean Water Act*
- *Regional Haze Rule*
- *National Ambient Air Quality Standards*
- *Greenhouse Gas Emissions*

2. STATE AND REGIONAL ACTIVITY C-11

- *California Cap-and-trade Program*
- *Washington State*
- *Renewable Portfolio Standards*

D. Electric Resources and Alternatives

1. RESOURCE TYPES D-2

2. EXISTING RESOURCES INVENTORY D-5

- *Supply-side Thermal Resources*
- *Supply-side Renewable Resources*
- *Supply-side Contract Resources*
- *Supply-side Transmission Resources*
- *Demand-side Energy Efficiency Resources*
- *Demand-side Customer Programs*

3. ELECTRIC RESOURCE ALTERNATIVES D-29

- *Thermal Resource Costs and Characteristics*
- *Energy Storage Resource Costs and Characteristics*



- *Renewable Resources Costs and Characteristics*
- *Demand-side Resource Costs and Characteristics*

E. Demand Forecasting Models

1. *ELECTRIC BILLED SALES AND CUSTOMER COUNTS E-2*
2. *ELECTRIC PEAK HOUR LOAD FORECASTING E-5*
3. *GAS BILLED SALES AND CUSTOMER COUNTS E-8*
4. *GAS PEAK DAY LOAD FORECAST E-11*
5. *MODELING UNDERTAINTIES IN THE LOAD FORECAST E-13*
6. *HOURLY ELECTRIC DEMAND PROFILE E-15*
 - *Data*
 - *Methodology for Distribution of Hourly Temperatures*
 - *Methodology for Hourly Distribution of Load*

F. Regional Resource Adequacy

1. *NORTHWEST POWER AND CONSERVATION COUNCIL (NPCC)*
Pacific Northwest Power Supply Adequacy Assessment for 2021
2. *PACIFIC NORTHWEST UTILITIES CONFERENCE COMMITTEE (PNUCC)*
Northwest Regional Forecast of Power Loads and Resources 2017-2026
Published April 2016
3. *BONNEVILLE POWER ADMINISTRATION (BPA)*
2016 Pacific Northwest Loads and Resources Study
Published December 22, 2016



G. Wholesale Market Risk

1. EXECUTIVE SUMMARY G-3

2. REGIONAL LOAD/RESOURCE FORECASTS G-6

- *Overview*
- *NPCC Regional Resource Adequacy Studies for 2021*
- *PNUCC Northwest Regional Forecast for 2017-2026*
- *BPA Loads and Resources Study for 2017-2026*

3. WHOLESALE MARKET RELIABILITY ANALYSIS G-12

- *PSE's Wholesale Purchase Strategy*
- *Quantifying Wholesale Market Purchase Risk*
- *Modeling Physical Supply Risk*
- *The GENESYS Model*
- *The Wholesale Purchase Curtailment Model (WPCM)*
- *Calculating the Capacity Contribution of Wholesale Market Purchases*

4. MONITORING WHOLESALE MARKET RISK G-30

- *Do Additional Reliability Metrics Need to be Considered?*
- *Changes to Regional Load/Resource Forecasts*
- *Energy and Capacity Imports from California*
- *Market Friction*
- *CAISO Energy Imbalance Market*
- *Balancing Reserves for Intermittent Resources*
- *Fuel Supplies for Generating Plants*

H. Operational Flexibility

1. OVERVIEW H-2

2. SYSTEM BALANCING H-4

- *The PSE Balancing Authority*
- *Impact of Variability and Uncertainty on System Volatility*
- *Managing Volatility*



3. FLEXIBILITY SUPPLY AND DEMAND H-12

- *Flexibility Supply*
- *Flexibility Demand*
- *Procuring and Deploying Balancing Reserve Capacity*

4. MODELING METHODOLOGY H-17

- *Model Framework and Input Methodology*
- *Modeling Assumptions and Limitations*

5. RESULTS H-22

- *Current Portfolio Case Results*
- *New Resources Comparative Results*
- *Sub-hourly Dispatch Cost Impact*

6. CONCLUSION & NEXT STEPS H-31

I. Regional Transmission Resources

1. OVERVIEW I-2

2. THE PACIFIC NORTHWEST TRANSMISSION SYSTEM I-4

- *Regional Constraints*
- *PSE Westside Transmission Constraints*

3. PSE TRANSMISSION EFFORTS I-8

- *West Cascades North*

4. BPS TRANSMISSION EFFORTS I-9

- *TSR Study and Expansion Process*
- *Wild Curtailments*
- *BPA Transmission Planning and Attachment K Projects*

5. REGIONAL TRANSMISSION EFFORTS I-12

- *Major Proposed Projects*
- *ColumbiaGrid Efforts*
- *Order 1000*
- *Energy Imbalance Market*



6. TRANSMISSION REDIRECT OPPORTUNITIES I-19

- *Lower Snake River and Hopkins Ridge*
- *Colstrip*

7. OUTLOOK AND STRATEGY I-22

J. Conservation Potential Assessment

Report by Navigant Consulting

EXECUTIVE SUMMARY

INTRODUCTION

1. GENERAL APPROACH AND METHODOLOGY

2. DEMAND-SIDE RESOURCE POTENTIAL RESULTS

3. APPENDICES

- A. Measure Details, Abbreviations and Units*
- B. Methodological Consistency with the Seventh Northwest Power Plan*
- C. Distributed Generation Solar PV*
- D. Energy Storage*
- E. Demand Response*
- F. Other Key Input Assumptions*

K. Colstrip

1. THE CHANGING LANDSCAPE K-3

2. FACILITY DESCRIPTION K-4

- *Governance*
- *History of Colstrip*
- *Plant Operations*
- *Coal Supply Agreements (CSAs)*
- *Requirements after Operations Cease*



3. RECENT CONSENT DECREES K-12

- *Administrative Order on Consent for Wastewater Ponds*
- *Consent Decree Related to AOC Litigation*
- *Consent Decree Related to New Source Review/Prevention of Significant Deterioration Litigation*

4. RECENT RULES & PROPOSED RULES K-14

- *Mercury and Air Toxics (MATS) Rule*
- *Regional Haze Rule*
- *Coal Combustion Residuals Rule*
- *Clean Air Act National Ambient Air Quality Standards (NAAQS)*

L. Electric Energy Storage

1. OVERVIEW L-2

- *Experience at PSE*
- *Recent Industry Developments*

2. POTENTIAL ELECTRICITY STORAGE SERVICES L-12

- *Bulk Energy Services*
- *Ancillary Services*
- *Transmission Infrastructure Services*
- *Distribution Infrastructure Services*
- *Customer Energy Management*

3. ENERGY IMBALANCE MARKET L-19

4. ENERGY STORAGE TECHNOLOGIES L-20

5. DEVELOPMENT CONSIDERATIONS L-24

6. GLACIER PILOT PROJECT L-26



M. Washington Wind and Solar Costs

Report by DNV GL

1. INTRODUCTION

2. WIND POWER PLANT BENCHMARKS

- *Project and Site Assumptions – Onshore Wind*
- *Methodology – Onshore Wind*
- *Results – Onshore Wind*

3. SOLAR POWER PLANT BENCHMARKS

- *Project and Site Assumptions – Solar*
- *Methodology – Solar*
- *Results – Solar*

4. OFFSHORE WIND CAPITAL COST EXPECTATIONS

- *Project and Site Assumptions – Offshore Wind*
- *Results – Offshore Wind*

N. Electric Analysis

Contents

1. PORTFOLIO ANALYSIS METHODS N-3

- *Developing Wholesale Power Prices*
- *Deterministic Portfolio Optimization Analysis*
- *Stochastic Risk Analysis*

2. PORTFOLIO ANALYSIS MODELS N-8

- *The AURORA Dispatch Model*
- *PLEXOS/Flexibility Analysis*
- *Portfolio Screening Model III (PSM III)*
- *Stochastic Portfolio Model*



3. *KEY INPUTS AND ASSUMPTIONS* N-30
 - *AURORA Inputs*
 - *PSM III Inputs*
 - *Resource Adequacy Model and Planning Standard*
4. *OUTPUTS: AVOIDED COSTS* N-65
 - *AURORA Electric Prices and Avoided Costs*
 - *Avoided Energy Costs*
5. *OUTPUTS: SCENARIO ANALYSIS RESULTS* N-84
 - *Expected Portfolio Costs – Scenarios*
 - *Incremental Portfolio Builds by Year – Scenarios*
 - *Portfolio CO₂ Emissions – Scenarios*
6. *OUTPUTS: SENSITIVITY ANALYSIS RESULTS* N-104
 - *Expected Portfolio Costs – Sensitivities*
 - *Incremental Portfolio Builds by Year – Sensitivities*
 - *Portfolio CO₂ Emissions – Sensitivities*
7. *OUTPUTS: STOCHASTIC ANALYSIS RESULTS* N-158
8. *CARBON ABATEMENT ANALYSIS* N-159
 - *Expected Portfolio Costs – Carbon Abatement*
 - *Incremental Portfolio Builds by Year – Carbon Abatement*
 - *Change in WECC Emissions by Resource Type*
 - *Gas Portfolio CO₂ Emissions – Carbon Abatement*
9. *INCREMENTAL COST OF RENEWABLE RESOURCES* N-176



O. Gas Analysis

1. ANALYTICAL MODEL O-2

- *SENDOUT*
- *Resource Alternative Assumptions*
- *Scenarios and Sensitivities Analyzed*

2. ANALYSIS RESULTS O-8

3. PORTFOLIO DELIVERED GAS COSTS O-39

P. Gas-fired Resource Costs

Report by Black and Veatch

1. INTRODUCTION

2. STUDY BASIS AND GENERAL ASSUMPTIONS

3. GAS-FIRED GENERATION OPTION DESCRIPTIONS

4. SUMMARY OF PERFORMANCE AND EMISSION CHARACTERISTICS

5. SUMMARY OF CAPITAL AND NON-FUEL O&M COSTS

APPENDICES

- A. Full Thermal Performance Estimates for Supply-side Options*
- B. Air-cooled Design Considerations*
- C. Supplemental HRSG Duct Firing*
- D. Peaking Plant Backup Fuel*
- E. Capital and O&M Cost Estimates for Brownfield Projects*
- F. Wartsila Recommended Maintenance Intervals*