

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

DOCKET NOS. UE-260005 and UG-260006
(*Consolidated*)

**RESPONSE TESTIMONY (HIGHLY CONFIDENTIAL)
OF ELIZABETH A. STANTON, PHD
ON BEHALF OF JOINT ENVIRONMENTAL ADVOCATES**

REDACTED VERSION

July 28, 2026

JOINT ENVIRONMENTAL ADVOCATES
RESPONSE TESTIMONY (HIGHLY CONFIDENTIAL) OF
ELIZABETH A. STANTON, PHD

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JOINT ENVIRONMENTAL ADVOCATES

PREFILED RESPONSE TESTIMONY (HIGHLY CONFIDENTIAL) OF
ELIZABETH A. STANTON, PHD

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1 **I. INTRODUCTION AND SUMMARY.**

2 **Q. Please state your name and position.**

3 A. My name is Elizabeth A. Stanton. My business address is 6 Liberty Sq., PMB 98162,
4 Boston, MA 02109. I am the Executive Director and Principal Economist of the Applied
5 Economics Clinic, a non-profit consulting group specializing in the areas of energy,
6 climate, environment, and social equity.

7 **Q. Please describe your employment and education background.**

8 A. I am the founder and Executive Director of the Applied Economics Clinic. My publication
9 record includes more than 200 reports, journal articles, books and book chapters, as well as
10 more than 60 expert comments and oral and written testimony in public proceedings on topics
11 related to energy, the economy, the environment, and equity.

12 In my previous position as a Principal Economist at Synapse Energy Economics, I led
13 studies examining the cost of environmental regulation, cost-benefit analyses, and the
14 economics of energy efficiency and renewable energy. Prior to joining Synapse, I was a Senior
15 Economist with the Stockholm Environment Institute's Climate Economics Group, where I
16 was responsible for leading the organization's work on the Consumption Based Emissions
17 Inventory (CBEI) model and on water issues and the economics of climate change in the
18 western United States.

19 My articles have been published in Ecological Economics, Renewable Climate Change,
20 Environmental and Resource Economics, Environmental Science & Technology, and other
21 journals. I have published books, including Climate Change and Global Equity (Anthem Press,
22 2014) and Climate Economics: The State of the Art (Routledge, 2013), which I co-wrote with
23 my colleague at Synapse, Dr. Frank Ackerman. I also co-authored Environment for the People

(Political Economy Research Institute, 2005, with James K. Boyce) and was a co-editor of Reclaiming Nature: Worldwide Strategies for Building Natural Assets (Anthem Press, 2007, with Boyce and Sunita Narain). My curriculum vitae is attached as Exhibit EAS-2.

Q. Please state your experience with energy regulation and proceedings before public utility commissions.

A. My work includes testimony and comments in dockets related to resource planning, including Integrated Resource Plans and Certificates of Public Convenience and Necessity, as well as general rate cases, and proceedings related to climate regulation compliance. Since 2014, I have worked on numerous reports and testimonies focused on key energy topics, including: utility planning, resource assessment, needs (demand/load) assessment, and fuel procurement strategies in states across the United States.

Q. What is the purpose of your testimony, and how is your testimony organized?

A. The purpose of my testimony is to assess the prudence of the Centralia Energy Transition Tolling Agreement (herein, TransAlta Tolling Agreement) in the context of Puget Sound Energy's (PSE) climate and environmental obligations under the Climate Commitment Act ("CCA") and the Clean Energy Transformation Act ("CETA"). In addition, my testimony examines the request to recover construction work in progress ("CWIP") in rate base for two gas-fired turbines (Tranche 1 and Tranche 2). My testimony is organized as follows:

- Section II assesses PSE's methodology for selecting Centralia Energy Transition Project to meet its capacity needs,
- Section III summarizes PSE's CETA obligations and the CETA-deficit identified by PSE in the testimony of Joshua J. Jacobs in this rate period,

- Section IV assesses the prudence of the TransAlta Tolling Agreement in the context of CCA costs and CETA compliance, and
- Section V examines the request to recover CWIP for gas-fired turbines Tranche 1 and Tranche 2.

Q. Can you please summarize the conclusions and recommendations in your testimony.

A. I recommend the Commission disallow the Centralia Energy Transition facility for the following reasons:

1. PSE is not planning to meet CETA's 2030 greenhouse-gas emission neutrality target, and yet in this case proposes to invest in new fossil-fuel powered resources.
2. PSE's proposal to acquire the seventeen-year TransAlta Tolling Agreement would not place PSE on track to meet CETA's 2030 neutrality target and conflicts with the statute's direction to pursue renewable resources in new resource acquisition.
3. PSE has failed to carry its burden of proof showing that the TransAlta Tolling Agreement is a prudent investment. The TransAlta plant has not undergone review through a competitive bidding process, nor was it identified as a lowest cost resource in a preferred portfolio through long-term resource planning—processes typically relied upon in prudence determinations for new resource acquisitions. The TransAlta plant is uneconomic to run in six out of seventeen years of the tolling agreement, due to high costs. PSE states that the tolling agreement is primarily needed for capacity, but has not demonstrated that the capacity need outweighs the adverse financial costs, nor has it shown that it

1 could not meet this need with renewable and battery resources. Instead, PSE's
2 records show that renewable resources and battery resources submitted through
3 the competing bidding process were more competitive, lower cost alternatives.

4 In addition, I recommend that the Commission deny CWIP recovery for the Firm Capacity
5 Turbines Tranche 1 and 2, because PSE has not demonstrated these resources are renewable,
6 and they are therefore in contradiction with Washington's commitment to renewable resources
7 under CETA.

8 **II. INADEQUATE CONSIDERATION OF ALTERNATIVES TO THE TRANSALTA**
9 **TOLLING AGREEMENT.**

10 **Q. Please briefly explain the Company's proposed TransAlta Tolling Agreement.**

11 A. The TransAlta Tolling Agreement—also called the Centralia Energy Transition Project—is a
12 “Seventeen (17) year tolling agreement for all energy, capacity, ancillary services, and
13 attributes of the development-stage 700 MW natural gas-fired electric generation facility with a
14 target commercial operation date (“COD”) of October 31, 2028 at a capacity price of [REDACTED]
15 [REDACTED]” between PSE and TransAlta.¹ Importantly, the Centralia plant is currently coal-fired,
16 but TransAlta will be converting the plant to run on gas, and PSE's purchase of the energy,
17 capacity ancillary services and attributes of the plant will commence after its conversion.
18 Under the agreement, TransAlta—the current owner of Centralia—is “contractually
19 responsible for managing”² the coal-to-gas conversion and will “continue to own and operate
20 the facility after COD.”³

¹ PSE Exh. CJP-25HCr (Revised Centralia Energy Transition Prudency and Non-Baseload Resource Documents) at 92.2.

² *Id.* at 20.

³ *Id.* at 13.

1 **Q. How does PSE characterize the benefits of the TransAlta Tolling Agreement?**

2 A. PSE Witness Pospisil explains that the TransAlta Tolling Agreement “will provide PSE with a
3 cost-effective, non-baseload resource that will enhance PSE’s reliability and resilience as it
4 transitions its resource portfolio in compliance with CETA.”⁴ Witness Pospisil also notes that
5 “While the [TransAlta Tolling Agreement] project is a natural gas-fired resource and will not
6 contribute directly to PSE’s requirement for CETA-compliant energy, it provides the single
7 largest capacity contribution of any project presented in this proceeding,”⁵ contributing “553
8 MW towards the winter peak capacity deficit.”⁶ In its initial filing, PSE contends that the
9 TransAlta Tolling Agreement is a cost-effective resource primarily because it provides the
10 Company with both summer and winter peak capacity,⁷ although this capacity is gas-fired and
11 therefore not compliant with CETA.

12 PSE’s claim that Centralia will be a useful winter peaking resource is not consistent
13 with its Aurora portfolio analysis; in the December 2025 Centralia Energy Transition Tolling
14 Agreement presentation to its Board, PSE highlights average run hours that are highest in
15 [REDACTED] with [REDACTED] hours of runtime from December through April according to the Aurora
16 model (see [REDACTED]).⁸

⁴ PSE Exh. CJP-1HCT (Craig J. Pospisil Opening Testimony) at 95.

⁵ *Id.* at 111.

⁶ PSE Exh. JJJ-1T (Joshua J. Jacobs Opening Testimony) at 20.

⁷ *Id.*, see also CJP-1HCT (Craig J. Pospisil Opening Testimony) at 107.

⁸ PSE Exh. CJP-25HCr (Revised Centralia Energy Transition Prudency and Non-Baseload Resource Documents) at 92.35.

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3 **Q. Please briefly explain PSE's 2024 All-Source RFP process and results.**

4 A. PSE's 2024 All-Source Request for Proposals (RFP) issued on July 1, 2024 sought projects
5 with an operation date on or before January 1, 2030.¹⁰ As a result, 98 projects submitted bids:

6 PSE received 98 proposals in response to the 2024 All-Source RFP,
7 including solar, wind, battery storage, pumped-hydro storage, hybrid clean
8 energy and storage combinations, and flexible capacity resources. Of these
9 ninety-eight proposals, third-party bidders submitted ninety-one, and
10 seven were self-build proposals submitted by PSE's development team.¹¹

11 In Phase 1, PSE evaluated each of these resources, and in Phase 2, PSE identified a shortlist of
12 12 resources. Several large-scale renewables were excluded in the Phase I evaluation,
13 including the [REDACTED] project, a [REDACTED] gigawatt-hour ("GWh") solar project that was cost-
14 competitive with gas-fired resources evaluated in the RFP.¹² According to 2024 RFP

⁹ *Id.*

¹⁰ PSE Exh. CJP-1HCT (Craig J. Pospisil Opening Testimony) at 31.

¹¹ *Id.* at 33.

¹² PSE Exh. CJP-11HC (2024 All-Source RFP Evaluation Process Document) at 69–71.

1 Evaluation Process Document, PSE identified a shortlist of 12 projects, including seven
2 CETA-compliant resources amounting to 4,845 GWh of energy in 2030.¹³

3 In December 2025, PSE re-evaluated its shortlisted resources due to “certain changes”
4 including “updated pricing and terms.”¹⁴ Moreover, PSE identified “certain qualitative and
5 commercial risks that caused PSE to eliminate certain bids.”¹⁵ Of the 12 projects included in
6 the December 2025 re-evaluation, 10 received board approval. The two resources that did not
7 receive approval were: [REDACTED]¹⁶ Two of the approved resources were PSE-
8 developed [REDACTED] and [REDACTED]
9 Peaker, called Tranche 1 and Tranche 2 in this rate case.¹⁷

10 **Q. Please briefly explain how PSE’s proposed TransAlta Tolling Agreement was considered**
11 **against resources from the 2024 All-Source RFP.**

12 A. PSE reports several portfolio analysis results, including re-evaluations conducted in July,
13 October, November, and December 2025.¹⁸ Only 12 projects were selected in the Post-Phase 2
14 Update, whereby PSE developed gas-fired capacity composed of almost all total offer capacity
15 (see Table 1).¹⁹

¹³ *Id.* at 59, tbl. 19. While the table lists fourteen projects, the table repeats two projects. *Id.*

¹⁴ PSE Exh. CJP-12HC (2024 All Source RFP: Post-Phase 2 Update) at 8.

¹⁵ *Id.*

¹⁶ *Id.* at 24, tbl. 12.

¹⁷ *Id.*

¹⁸ *Id.* at 8.

¹⁹ *Id.* at 3.

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Several CETA-compliant energy resources were considered by PSE in its 2024 All-Source RFP that were cost competitive with the Centralia Energy Transition on a \$ per megawatt-hour (MWh) basis.²¹

For example, wind resource [REDACTED] despite its cost-competitiveness with both renewable and thermal resources and large offer capacity ([REDACTED] has not received board approval and is not included in this rate case.²² [REDACTED] could provide [REDACTED] MWh of CETA compliant energy in 2030 at a levelized cost of energy of [REDACTED] per MWh compared to [REDACTED] per MWh for the Centralia Energy Transition that is expected to provide [REDACTED] MWh of generation on average annually.²³

PSE capacity modeling does not identify Centralia Energy Transition as the best, least-cost resource to meet resource needs. According to CJP-1HCT, Centralia was “selected” to

²⁰ *Id.* at 3, tbl. 1.

²¹ PSE Exh. CJP-11HC (2024 All-Source RFP Evaluation Process Document) at 69–71.

²² PSE Exh. CJP-12HC (2024 All-Source RFP: Post-Phase 2 Update) at 23, tbl. 11.

²³ Exh. EAS-3HC (PSE Response to JEA DR 28_Attachment A (HC)); PSE Exh. CJP-12HC (2024 All-Source RFP: Post-Phase 2 Update) at 23, tbl. 11.

1 address capacity deficit.²⁴ According to CJP-12HC, “Centralia Energy Transition Tolling
2 Agreement (#9005) forced into the run (received authorization to execute Dec. 3).”²⁵ When a
3 resource is forced into a run, it is taken as an input, rather than a choice in the modeling
4 software. This means that the Centralia Energy Transition was included in PSE’s portfolio
5 regardless of whether it was the least-cost resource—or even an economic resource—to meet
6 capacity needs.

7 The Centralia Energy Transition also did not undergo competitive bidding. The 2024
8 RFP: Post-Phase 2 Update says that “[t]he three bilateral offers that were added to the resource
9 pool in October – Centralia Energy Transition (#9005), Battle Butte Solar (#6740) and Beaver
10 Creek Wind 2 (#9007) – were selected by the model in the October, November and December
11 updates.”²⁶ Battle Butte Solar and Beaver Creek Wind 2 are resource acquisitions included in
12 this rate case and are both expected to come online in 2028.²⁷ However, Centralia Energy
13 Transition was not part of the 2024 RFP.

14 Instead, PSE considered the Centralia Energy Transition after it completed its
15 competitive bidding process. In response to WUTC Data Request No. 236,²⁸ PSE justifies
16 circumventing the RFP process by adding the Centralia facility into its 2024 RFP: Post-Phase 2
17 Update.²⁹ PSE justifies this late consideration outside of the competitive bidding process,
18 based on its existing relationship with TransAlta, the extended timeline needed for assessing
19 feasibility of the conversion, and the timing of TransAlta’s approach to PSE (early 2024).³⁰

²⁴ PSE Exh. CJP-1HCT (Opening Testimony of Craig J. Pospisil) at 96.

²⁵ PSE Exh. CJP-12HC (2024 All-Source RFP: Post-Phase 2 Update) at 21, tbl. 10.

²⁶ *Id.* at 22.

²⁷ PSE Exh. JJJ-1T (Opening Testimony of Joshua J. Jacobs) at 14.

²⁸ Exh. EAS-4 (PSE Response to Staff DR 236).

²⁹ PSE Exh. CJP-12HC (2024 All-Source RFP: Post-Phase 2 Update).

³⁰ Exh. EAS-4 (PSE Response to Staff DR 236) at 1.

1 **Q. Please briefly summarize the cost of the Centralia coal-to-gas conversion facility**
2 **compared to alternative resources considered in the Company’s 2024 All-Source RFP.**

3 A. The Centralia coal-to-gas conversion facility will have an average annual total cost of [REDACTED]
4 [REDACTED] (equivalent to [REDACTED] in total assuming 17 operational years) and provide [REDACTED]
5 MWh of generation on average annually.³¹ According to CJP-25HCr, the Centralia Energy
6 Transition is competitive with other Phase 2 capacity resources, however, Centralia is more
7 expensive on a \$/kw-year basis than the 10 of the 12 Phase 2 capacity resources, including all
8 the renewable resources.³² The Centralia Energy Transition costs include capacity charge,
9 station service fee, gas demand charge, transmission wheeling, start costs, fuel costs, CCA
10 costs, VOM, and a debt cost adder for the tolling agreement.³³ In particular, PSE estimates
11 [REDACTED] in total cumulative CCA costs incurred from operation of the Centralia Power
12 Plant during the 17-year period of the Tolling Agreement.³⁴

13 The Centralia Energy Transition does not appear to be adequately assessed against
14 CETA-compliant capacity resources. In CJP-25HCr, PSE claims Centralia is cost competitive
15 with thermal resources, comparing the levelized cost of capacity for Centralia to [REDACTED]
16 [REDACTED].³⁵ Centralia’s cost competitiveness is not considered against alternative resources
17 such as wind or solar projects that were submitted to the 2024 RFP. Importantly, “PSE states
18 that it did not conduct a separate analysis expressly designed to determine whether the

³¹ Exh. EAS-3HC (PSE Response to JEA DR 28_Attachment A (HC)).

³² PSE Exh. CJP-25HCr (Revised Centralia Energy Transition Prudency and Non-Baseload Resource Documents) at 8; PSE Exh. CJP-12HC (2024 All-Source RFP: Post-Phase 2 Update) at 21, tbl. 10.

³³ Exh. EAS-5HC (260005-06-PSE-WP-CJP-Comp-Analysis-EMC2025-12-02-BOD2025-12-03(HC).xlsx [“Slide 29 (HC)”]).

³⁴ Exh. EAS-6C (PSE Revised Response to JEA DR 66 (C)).

³⁵ PSE Exh. CJP-25HCr (Revised Centralia Energy Transition Prudency and Non-Baseload Resource Documents) at 47.

Centralia Energy Transition Project would have been selected through a competitive RFP process.”³⁶

Q. How do PSE’s estimated costs of the TransAlta Tolling Agreement compare to non-peaker plant alternatives selected by the Company’s 2024 RFP analysis?

A. As mentioned above, the LCOC of the TransAlta Tolling Agreement is [REDACTED] per kW-yr, [REDACTED] [REDACTED] [REDACTED]³⁷ Importantly, both the [REDACTED] are CETA-compliant, whereas the TransAlta Tolling Agreement is not. Also, CETA-compliant are the four [REDACTED] [REDACTED] which have the lowest estimated capacity costs by far, with LCOCs per PSE ranging from [REDACTED]³⁸ CETA compliant resource alternatives considered by PSE are more cost competitive than the TransAlta Tolling Agreement.

III. PSE GAS-FIRED ADDITIONS ARE INCONSISTENT WITH MEETING PSE’S CETA OBLIGATIONS

Q. Please briefly describe the Clean Energy Transformation Act.

A. In 2019, Governor Jay Inslee signed CETA into law, committing the State of Washington to eliminate greenhouse gas emissions from its electricity supply by 2045.³⁹ To achieve this, CETA requires that, by 2045, electric utilities must use non-emitting electric generation and electricity from renewable resources to “supply one hundred percent of all sales of electricity”

³⁶ Exh. EAS-4 (PSE Response to Staff DR 236) at 3.

³⁷ PSE-Exh-CJP-25HCr (Revised Centralia Energy Transition Prudency and Non-Baseload Resource Documents) at 135.

³⁸ *Id.*

³⁹ RCW 19.405.010(2).

1 to Washington customers.⁴⁰ Renewable resource is defined as “(a) Water; (b) wind; (c) solar
2 energy; (d) geothermal energy; (e) renewable natural gas; (f) renewable hydrogen; (g) wave,
3 ocean, or tidal power; (h) biodiesel fuel that is not derived from crops raised on land cleared
4 from old growth or first growth forests; or (i) biomass energy.”⁴¹ A non-emitting resource
5 provides “electric energy, capacity, or ancillary services to an electric utility and [] does not
6 emit greenhouse gases as a by-product of energy generation.”⁴² “Non-emitting electric
7 generation” does not include renewable resources.⁴³

8 As an interim step, by 2030, electric utilities must ensure that all retail electric sales to
9 Washington customers are “greenhouse gas neutral.”⁴⁴ To meet this requirement, at least 80
10 percent of the electricity sold to Washington customers must be supplied from non-emitting or
11 renewable energy resources, while no more than 20 percent may be met through an “alternative
12 compliance option.”⁴⁵

13 **Q. What obligations must electric utilities satisfy under CETA to comply with the**
14 **greenhouse gas neutrality standard?**

15 A. I am not a lawyer, and I summarize these legal requirements for the purpose of providing
16 context.

17 To comply with CETA’s greenhouse gas neutrality standard, electric utilities must
18 demonstrate annual greenhouse gas-neutral retail electric sales for each four-year compliance
19 period from 2030 through 2044 by pursuing “all cost-effective, reliable, and feasible
20 conservation and efficiency resources” and supplying 100 percent of their retail electric load

⁴⁰ RCW 19.405.050(1).

⁴¹ *Id.* at 19.405.020(33).

⁴² *Id.* at 19.405.020(27)(a).

⁴³ *Id.* at 19.405.020(27)(b).

⁴⁴ *Id.* at 19.405.040(1).

⁴⁵ *Id.* at 19.405.040(1)(b).

1 with non-emitting or renewable energy resources, supplemented as necessary by authorized
2 alternative compliance options for up to 20 percent of retail electric load.⁴⁶

3 Electric utilities must plan to meet the annual greenhouse gas neutrality standard in
4 each four-year compliance period “at the lowest reasonable cost, considering risk[.]”⁴⁷ In doing
5 so, electric utilities must first plan to reduce loads and peaks as much as possible by pursuing
6 the necessary conservation, efficiency, and demand response measures before acquiring
7 additional non-emitting or renewable energy resources to meet CETA’s clean energy targets.⁴⁸

8 In making new investments, CETA requires that electric utilities “[a]chieve targets at
9 the lowest reasonable cost, considering risk; [c]onsider acquisition of existing renewable
10 resources; and [i]n the acquisition of new resources [...], rely on renewable resources and
11 energy storage.”⁴⁹

12 **Q. What requirements apply to alternative compliance options that electric utilities may use**
13 **for the up to 20 percent of load not served by non-emitting or renewable energy resources**
14 **under CETA’s greenhouse gas neutrality standard?**

15 A. In RCW 19.405.040(1)(b), CETA provides that through December 31, 2044, an electric utility
16 may satisfy up to 20 percent of its CETA compliance obligation with an “alternative
17 compliance option,” that may include any combination of the following:

⁴⁶ *Id.* at 19.405.040(1)(a) (“For the four-year compliance period beginning January 1, 2030, and for each multiyear compliance period thereafter through December 31, 2044, an electric utility must demonstrate its compliance with this standard using a combination of nonemitting electric generation and electricity from renewable resources, or alternative compliance options, as provided in this section. To achieve compliance with this standard, an electric utility must: (i) Pursue all cost-effective, reliable, and feasible conservation and efficiency resources to reduce or manage retail electric load, using the methodology established in RCW 19.285.040, if applicable; and (ii) use electricity from renewable resources and nonemitting electric generation in an amount equal to one hundred percent of the utility’s retail electric loads over each multiyear compliance period. An electric utility must achieve compliance with this standard for the following compliance periods: January 1, 2030, through December 31, 2033; January 1, 2034, through December 31, 2037; January 1, 2038, through December 31, 2041; and January 1, 2042, through December 31, 2044.”).

⁴⁷ *Id.* at 19.405.060 (1)(c)(ii).

⁴⁸ *Id.* at 19.405.050(3).

⁴⁹ *Id.* at 19.405.050(3)(a)–(c).

- 1 1. Making an alternative compliance payment in the amount of the administrative penalty
2 set out in RCW 19.405.090(1): \$100 for each megawatt-hour used to meet load that is not
3 from a renewable resource.⁵⁰ Further, the statute imposes higher penalties for coal
4 resources (a 1.5 multiplier), compared with gas-fired peaking power plants (0.84
5 multiplier), and gas-fired combined-cycle power plants (0.60 multiplier).⁵¹
- 6 2. Purchasing unbundled renewable energy credits, provided there is no double counting of
7 any nonpower attributes associated with such credits. These credits may be purchased
8 within Washington or from other jurisdictions provided that the following conditions are
9 met: (i) credits must be produced from “eligible renewable resources,” as defined in
10 RCW 19.405.030(12),⁵² or (ii) “Unbundled renewable energy credits... represent[ing]
11 electricity generated within the compliance period.”⁵³
- 12 3. Investing in energy transformation projects that provide additional energy conservation or
13 efficiency, beyond statutory requirements, which are verifiable and result in quantifiable
14 reductions in load.
- 15 4. Energy generated from municipal waste incineration.

16 **Q. Please describe PSE’s past performance relating to its CETA obligations.**

17 A. When CETA was enacted in 2019, PSE served 34 percent of its load using CETA-compliant

⁵⁰ *Id.* at 19.405.090(1).

⁵¹ *Id.*

⁵² Renewable resource is defined as “(a) water; (b) wind; (c) solar energy; (d) geothermal energy; (e) landfill gas; (f) wave, ocean, or tidal power; (g) gas from sewage treatment facilities; (h) biodiesel fuel that is not derived from crops raised on land cleared from old growth or first-growth forests where the clearing occurred after December 7, 2006; or (i) biomass energy.” RCW 19.405.020(33). Renewable resources eligible for credit include: (1) non-hydro renewable resources that are either located in the Pacific Northwest (Washington, Oregon, Idaho, Montana), or directly deliver energy into Washington State; (2) hydro-electric resources generated from municipal water delivery or wastewater conveyance; (3) qualified biomass energy; (4) out-of-state non-hydro renewable power generation wholly owned by a “qualified utility,” which is subject to CETA’s compliance obligations. RCW 19.285.030(12).

⁵³ *Id.* at 19.405.040(1)(b)(ii).

resources.⁵⁴ Since then, PSE has acquired 22 long-term CETA-compliant resources, amounting to 4,038 MW of generating capacity (contributing 3,512 GWh of generation in 2025).⁵⁵ In July 2024, the Washington Utilities and Transportation Commission (hereafter “Commission”) found PSE was making “reasonable progress towards achieving CETA compliance.”⁵⁶ As of 2026, PSE served 57.9 percent of its retail electric sales using CETA-compliant resources, including wind, solar, biomass, and hydroelectric generation, 1.7 percent less than its 2026 target of 59.6 percent.⁵⁷

Q. Is PSE introducing additional long-term resource acquisitions in this case that would contribute to its CETA obligations?

A. Yes. PSE is introducing eleven (11) additional long-term resource acquisitions with a total projected contribution towards PSE’s CETA obligations of 4,065 GWh (bringing PSE up to roughly 66 percent of total retail electric sales in 2030 served by CETA-compliant resources).⁵⁸

Q. What is PSE’s obligation under CETA to supply a minimum of 80 percent of its retail electric sales using non-emitting or renewable energy resources by 2030?

A. Based on PSE’s Q4 F2025 electric load forecast (“F25”),⁵⁹ its total retail electric load is projected to be approximately 23,474 gigawatt-hours (GWh) in 2030, meaning the minimum 80 percent requirement would amount to roughly 18,779 GWh. (This value pertains to the single year of 2030; for each subsequent year four-year in the 2030 through 2033 compliance period, PSE’s compliance would be determined by that year’s annual electric load.)

⁵⁴ PSE Exh. JJJ-1T (Joshua J. Jacobs Opening Testimony) at 16, tbl. 4.

⁵⁵ *Id.* at 12.

⁵⁶ UTC, Docket No. UG-240434, Order 01 (July 11, 2024) at ¶ 30.

⁵⁷ Exh. EAS-7HC (260005-06-PSE-WP-JJJ-2022-2045 - CEIP Tracker _ EMI & Board Dashboard_27 ISP(HC).xlsx [“2026 Progress and Summary” tab]).

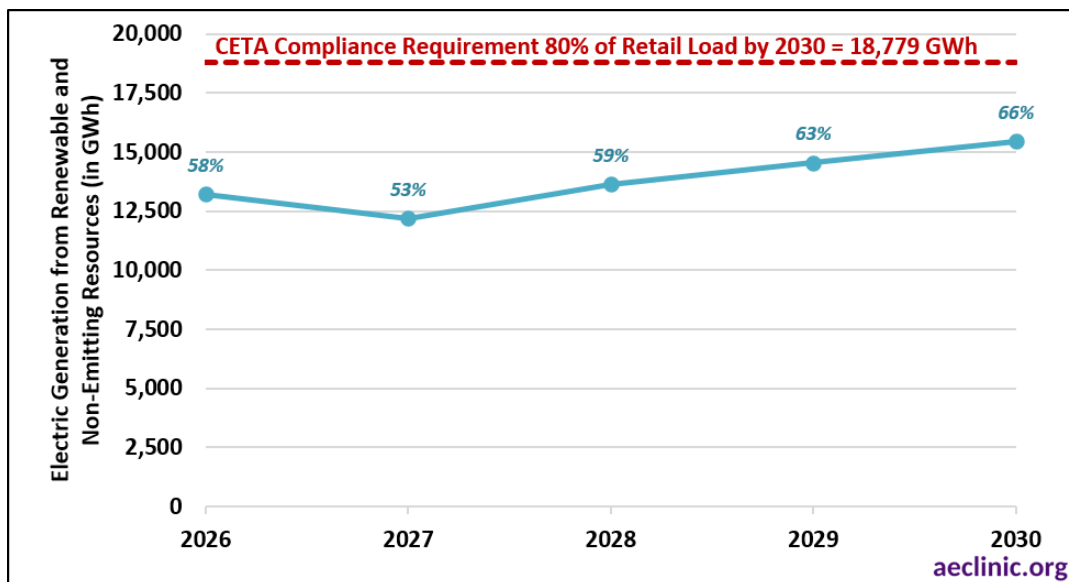
⁵⁸ PSE Exh. JJJ-1T (Joshua J. Jacobs Opening Testimony) at 14.

⁵⁹ PSE Exh-JJJ-3 (PSE’s F25 Electric Load Forecast) at 3.

1 **Q. Is PSE on track to meet its CETA obligations by 2030?**

2 A. No. PSE is not on track to meet its CETA obligations by 2030. As noted above, PSE expects
3 that its total percentage of CETA-compliant retail sales in 2030 to be 66 percent, resulting in a
4 14-percentage point deficit (or 2,718 GWh of CETA-eligible generation) with respect to its
5 minimum 80 percent requirement (see Figure 2).⁶⁰

6 **Figure 2. PSE's performance towards its CETA obligations, 2026-2030⁶¹**



7
8 **Q. How has PSE explained the 14-percentage point deficit for CETA compliance in 2030?**

9 A. PSE states that the 66 percent figure does not represent its compliance position at the end of the
10 2030-2033 compliance period and should not be interpreted as its expected compliance level
11 for 2030, noting that it only “reflects the projected total electricity from renewable resources
12 and non-emitting electric generation as a percentage of total retail load in calendar year 2030
13 based exclusively on resources that are already built, under contract, or included in PSE's
14 Multi-Year Rate Plan proposal as of the filing date (February 27, 2026).”⁶²

⁶⁰ PSE Exh. JJJ-1T (Joshua J. Jacobs Opening Testimony) at 16, tbl. 4.

⁶¹ Calculations shown in this graph relied upon: (1) PSE Exh. JJJ-3 (PSE's F25 Electric Load Forecast) at 3; (2) Exh. EAS-8 (PSE Response to Staff DR 147) at § (a).

⁶² Exh. EAS-9 (PSE Response to JEA DR 54) at 2.

1 **Q. How does PSE plan to close the 14-percentage point deficit for CETA compliance in**
2 **2030?**

3 A. PSE does not plan to achieve 80 percent renewable or non-emitting electric sales by 2030 but
4 rather plans to solicit additional renewable and non-emitting resources to achieve greater than
5 80 percent CETA-compliant energy in years following 2030. Specifically, PSE claims that it
6 will close the deficit by pursuing “[d]irect procurement of additional utility-scale renewable
7 and non-emitting resource through PSE’s 2026 Voluntary Utility-Scale RFP process” and
8 “[e]xpansion of distributed energy resources and demand-side programs.”⁶³ PSE also notes that
9 “[o]n a load-weighted basis, with 66 percent in 2030, the remaining three years (2031, 2032,
10 and 2033) must average approximately 84.7 percent to achieve the 80 percent four-year
11 threshold.”⁶⁴

12 **Q. Is PSE’s interpretation of its obligations under CETA consistent with Washington’s clean**
13 **energy goals?**

14 A. No, PSE’s approach to CETA compliance is not in alignment with Washington State’s aim to
15 transition the state’s electricity supply to one hundred percent carbon-neutral by 2030.⁶⁵ The
16 CETA statute states, “[i]t is the policy of the state that all retail sales of electricity to
17 Washington retail electric customers be greenhouse gas neutral by January 1, 2030.”⁶⁶
18 Similarly, Washington Clean Energy Standards require that, “By January 1, 2030, each utility
19 must ensure all retail sales of electricity to Washington electric customers are greenhouse gas
20 neutral[.]”⁶⁷ CETA requires PSE to be greenhouse gas neutral by 2030, meaning at minimum

⁶³ *Id.*

⁶⁴ *Id.*

⁶⁵ RCW 19.405.010.

⁶⁶ *Id.* at 19.405.040(1).

⁶⁷ WAC 480-100-610(2).

80 percent of electric generation must be renewable or non-emitting.

Q. How does PSE’s plan to make progress toward CETA’s compliance targets at the lowest reasonable cost?

A. PSE proposes to incrementally increase its renewable portfolio by 9 percentage points over the five years, from 2025 through 2030 (see Table 2).⁶⁸

Table 2. PSE CETA Deficit

	CETA Energy Percentage	CETA Energy (GWh)
Pre-CETA (2020)	34%	
Total percentage and energy of CETA eligible resources at the end of 2025	57% ⁶	11,064 ⁷
Total percentage and energy of CETA eligible resources in 2030 (including resources in this proceeding)	66%	4,065
Remaining deficit in 2030 to achieve 80%	14%	2,718

Source: Reproduced from PSE Exh. JJJ-1T (Joshua J. Jacobs Opening Testimony) at 16, tbl. 4.

PSE will not achieve the 2030 greenhouse gas neutrality target and will only provide 66 percent of its electric generation from renewable or non-emitting resources by 2030, undershooting the CETA requirement by 14 percentage points. Instead, PSE plans to achieve 80 percent CETA-compliant energy by 2033. At 66 percent renewable/non-emitting energy in 2030, PSE will need to increase its share of CETA-compliant energy in 2031, 2032, and 2033 to at least 84.7 percent on average.⁶⁹

PSE’s plan to comply with CETA’s greenhouse gas neutrality targets is unreasonable and imprudent. PSE asserts, without providing a specific plan, that it will increase from a 1,088 MWh per year increase in renewables from 2027 through 2030 to a 1,815 MWh per year

⁶⁸ PSE Exh. JJJ-1T (Joshua J. Jacobs Opening Testimony) at 16, tbl. 4.

⁶⁹ Exh. EAS-10 (PSE Response to Staff DR 149).

1 increase after 2030, assuming 2030 retail load levels.⁷⁰ PSE's lack of compliance with the
2 2030 greenhouse gas neutrality standard will require over-compliance in 2031 through 2033, to
3 compensate for the Company's underperformance in the first year of the planning period. It is
4 not prudent to substantially increase the renewable resources in PSE's portfolio over the course
5 of a single year, without spreading those costs out incrementally during the period leading up
6 to the 2030 compliance date.

7 **Q. Can PSE rely on mitigation credits or compliance payments to mitigate greenhouse gas**
8 **emissions for emitting generation below the 80 percent renewable generation threshold?**

9 A. No. The statute mandates that PSE must generate 80 percent of its retail sales from renewable
10 resources or non-emitting resources by 2030.⁷¹ The statute only allows PSE to rely on
11 alternative compliance options, like purchasing renewable energy credits or making a
12 compliance payment, for at most 20 percent of its emitting generation. The statute does not
13 allow PSE to meet its 80 percent requirement by relying on fossil-fuel powered generation that
14 emits greenhouse gases mitigated through the purchase of renewable energy credits or through
15 making compliance payments.

16 **Q. If the Commission finds that the utility failed to comply with CETA's standards, what**
17 **remedies are available?**

18 A. As the Commission recently stated in its Order in Docket UE-210829, "CETA is not
19 aspirational. It is the law, [a regulated utility] must either comply or be subject to penalties at
20 the end of the compliance period if no good cause exists for failure to comply."⁷² If PSE is

⁷⁰ Calculation based on (1) Exh-JJJ-3 and (2) Exh. EAS-10 (PSE Response to Staff DR 149).

⁷¹ RCW 19.405.040 (requiring a utility to demonstrate compliance with the greenhouse gas neutrality standard "using a combination of nonemitting electric generation and electricity from renewable resources").

⁷² *Wash. Util. & Trans. Comm'n v. PacifiCorp*, Docket No. UE-210829, Order 16 (May 19, 2025), 2025 WL 1491182, at *23.

1 found to be out of compliance with the 80 percent renewable energy target, the Commission
2 may issue administrative penalties. The administrative penalty is equal to the alternative
3 compliance payment amount described above. For each megawatt-hour from a non-renewable
4 resource, PSE must pay \$100 times the multiplier relevant to the emitting resource.⁷³

5 In addition to administrative penalties, the Commission is authorized to order specific
6 performance and may order the utility to take “specific actions necessary” to comply with
7 CETA.⁷⁴ Both administrative penalties, and an enforcement order, may be issued in a contested
8 general rate case such as this proceeding.⁷⁵

9 **Q. Please describe whether there are any circumstances in which a utility may be considered**
10 **to have compliance with CETA, even if it fails to achieve the 80 percent target.**

11 A. CETA includes two narrow exceptions to the timeline it establishes for the transition to clean
12 energy: cost and reliability. With regard to cost, electric utilities may delay this necessary
13 transition if the incremental cost of complying with the clean energy standards exceeds two
14 percent of the utility’s sales revenue.⁷⁶ Critically, these incremental costs cannot include
15 actions the utility would have taken irrespective of the need to comply with CETA’s clean
16 energy standards.⁷⁷

17 The procedures for calculating the incremental cost of CETA compliance are set out in
18 WAC 480-100-660. Utilities must include the projected incremental cost of complying with the
19 clean energy standards in each Clean Energy Implementation Plan (“CEIP”) filed with the

⁷³ RCW 19.405.090(1); WAC 480-100-665(3)(a).

⁷⁴ WAC 480-100-665(3)(c).

⁷⁵ *Id.* at 480-100-665(2)(c) (“The commission may take enforcement action in any proceeding in which the utility’s compliance with the provisions of chapter 19.405 RCW, this chapter of the commission’s rules, or a commission order implementing those requirements is at issue including, but not limited to, the utility’s general rate case.”).

⁷⁶ RCW 19.405.060(3)(a).

⁷⁷ WAC 480-100-605; WAC 480-100-660(1).

Commission.⁷⁸ Utilities must adopt interim targets in a CEIP issued once every four years, that demonstrate progress toward CETA’s clean energy standards.⁷⁹

With regard to reliability, Washington’s Governor may suspend or exempt PSE from CETA compliance in the event that PSE demonstrates “adverse system reliability impacts” from achieving greenhouse gas neutrality by 2030 in its four-year planning report filed with the legislature compliance with CETA.⁸⁰ PSE has not filed any such plan showing it could not rely on renewable or non-emitting generation to reliably meet its capacity needs.

Q. Has PSE demonstrated that it qualifies for either of these exceptions to meeting CETA’s greenhouse gas neutrality compliance target for 2030?

A. No. PSE not provided evidence that its costs to comply with CETA exceed the 2 percent cost cap. PSE last filed its CEIP in 2021 and has not filed an implementation plan update since 2023. In July 2024, PSE requested an exception from its most recent CEIP planning requirement, given the new requirement for PSE to undertake integrated system planning in RCW 80.86.020.⁸¹ PSE did not present any information or otherwise claim in its opening testimony that it expects its incremental cost of compliance under CETA will exceed the two percent cost cap during the multi-year rate period (2027-2029) applicable to this case.⁸² Further, PSE does not appear to have evaluated the incremental cost of compliance with CETA's clean energy standards for the new resource acquisitions described in the testimony of Craig J. Pospisil, which PSE proposes to add to rate base in this case.⁸³ Nor has PSE established that it meets the reliability exception set out in CETA. As discussed above, PSE has

⁷⁸ *Id.* at 480-100-660(5).

⁷⁹ RCW 19.405.060(1)(a); WAC 480-100-640(2).

⁸⁰ RCW 19.405.090(11).

⁸¹ PSE Exh. CJP-8 (2025 Resource Planning Analysis) at 6.

⁸² *See* Exh. EAS-11 (PSE Response to JEA DR 99).

⁸³ *Id.*

not demonstrated “adverse system reliability impacts” from achieving greenhouse gas neutrality by 2030 in its resource planning documents.⁸⁴

Q. Has PSE performed adequate resource planning to identify the best resources to meet its CETA compliance obligations?

A. No. PSE has not performed adequate resource planning to identify the best resources to meet its CETA obligation, nor does it have a Commission-approved resource plan that applies to the resources proposed in this rate case proceeding. In fact, PSE notes that it has not conducted adequate resource planning analysis since its 2023 Electric Progress Report:⁸⁵

Puget Sound Energy (“PSE”) has not prepared an updated Integrated Resource Plan or Resource Planning Analysis that includes an assessment of alternative resource portfolios, including a Clean Energy Transformation Act (“CETA”)-compliant portfolio, across a range of future scenarios and sensitivities in accordance with WAC 480-100-620, since the 2023 Electric Progress Report....

Moreover, PSE does not consider compliance or administrative penalty costs associated with CETA “in evaluating the cost competitiveness of resource alternatives.”⁸⁶ PSE estimates a CETA administrative penalty cost for operation of the Centralia facility at \$84 per MWh, more than double CCA compliance costs of \$36.27 per MWh.⁸⁷ Failure to consider CETA compliance costs results in underestimated resource costs for fossil fuel generators like the proposed Centralia Energy Transition facility.

Q. What other resource planning efforts has PSE performed?

A. PSE submitted its last integrated resource plan (IRP) in 2021,⁸⁸ which the Commission requires

⁸⁴ RCW 19.405.090(11).

⁸⁵ Exh. EAS-12 (PSE Response to JEA DR 48).

⁸⁶ Exh. EAS-13 (PSE Response to JEA DR 125).

⁸⁷ Exh. EAS-14 (PSE Response to JEA DR 126), Exh. EAS-15HC (PSE Response to JEA DR 126_Attachment A (HC)).

⁸⁸ PSE, *2021 Integrated Resource Plan* (Apr. 2021), available at <https://www.pse.com/en/IRP/Past-IRPs/2021-IRP>.

1 to be filed every four years.⁸⁹ PSE’s 2025 Resource Planning Analysis (RPA), submitted to the
2 Commission with the Pospisil Opening Testimony as Exhibit CJP-8, does not meet the
3 requirements of WAC 480-100-620, because it does not identify a preferred portfolio of
4 resources to meet the anticipated need at the lowest reasonable cost.⁹⁰ PSE has clearly stated
5 that its “2025 Resource Planning Analysis did not develop or evaluate a preferred resource
6 portfolio[.]”⁹¹ Nor did the 2025 RPA consider or evaluate the annual greenhouse gas emissions
7 from PSE’s existing resources, or any new resources that PSE proposes to acquire in this rate
8 case.⁹² The 2025 RPA was not completed due to Commission Order 01 in Docket UE-240433
9 for PSE to consolidate its RPA and CEIP into a single ISP due January 1, 2027:⁹³

10 [O]ur work on the 2025 Analysis was halted at the reference portfolio
11 development stage, and no further work was performed to develop a
12 preferred portfolio.

13 **Q. Please summarize PSE historical emissions and the greenhouse gas emission impacts of**
14 **the TransAlta Tolling Agreement.**

15 A. PSE estimates that the Centralia power plant will emit between [REDACTED] metric ton carbon
16 dioxide (“MTCO₂e”) and [REDACTED] MTCO₂e each year from 2030 through 2039.⁹⁴ Centralia
17 Energy Transition is not aligned with CETA and Washington’s broader climate goals.

⁸⁹ WAC 480-100-625(1).

⁹⁰ See WAC 480-100-620(1), (11) (“Each electric utility has the responsibility to identify and meet its resource needs with the lowest reasonable cost mix of conservation and efficiency, generation, distributed energy resources, and delivery system investments to ensure the utility provides energy to its customers that is clean, affordable, reliable, and equitably distributed.”).

⁹¹ Exh. EAS-16 (PSE Response to JEA DR 100).

⁹² *Id.*

⁹³ PSE Exh. CJP-8 (2025 Resource Planning Analysis) at 91.

⁹⁴ Exh. EAS-17C (PSE Revised Response to JEA DR 63(C)) at 2.

1 **Q. Are there any other environmental compliance obligations that would apply to the**
2 **TransAlta Tolling Agreement?**

3 A. Yes, Washington’s Climate Commitment Act (“CCA”) is an additional compliance obligation
4 applying to the TransAlta Tolling Agreement. In 2021, the Washington State Legislature
5 passed the CCA, creating an economy-wide, cap-and-invest market-based program to reduce
6 statewide greenhouse gas emissions—the program became effective on January 1, 2023.⁹⁵ As
7 an electric utility in Washington state, PSE must ensure compliance with the CCA by
8 purchasing allowances or offsets equal to its system-wide emissions.⁹⁶

9 **Q. How does PSE plan to approach the CCA obligations of the TransAlta Tolling**
10 **Agreement?**

11 A. PSE estimated the annual CCA allowance costs during the 17-year term of the TransAlta
12 Tolling Agreement in its portfolio optimization analysis performed in the Aurora long-term
13 capacity expansion and dispatch model.⁹⁷ The Tolling Agreement itself stipulates that “Puget
14 Sound Energy (‘PSE’) bears the economic obligation to procure and transfer Climate
15 Commitment Act (‘CCA’) allowances to TransAlta to cover the carbon compliance obligations
16 arising from generation at the Centralia Power Plant,”⁹⁸ which is “separate from PSE's own
17 CCA compliance obligation for emissions from PSE's directly-owned emitting resources.”⁹⁹

18 PSE’s estimated CCA allowance costs over the 17-year term of the TransAlta Tolling
19 Agreement total approximately [REDACTED] (see Table 3 below). The Company notes that
20 CCA allowance costs are estimated to be zero between 2040 and 2044 because “the Aurora

⁹⁵ Wash. Dep’t Ecology, “Climate Commitment Act,” available at <https://ecology.wa.gov/air-climate/climate-commitment-act>.

⁹⁶ *Id.*

⁹⁷ Exh. EAS-6C (PSE Revised Response to JEA DR 66 (C)) .

⁹⁸ *Id.*

⁹⁹ Exh. EAS-18 (PSE Revised Response to JEA DR 65).

1 model projects that the variable cost of natural gas-fired generation, including fuel and CCA
2 allowance costs will exceed wholesale market electricity prices in those years under the normal
3 conditions reflected in Aurora model assumptions.”¹⁰⁰ In other words, PSE expects the
4 TransAlta Tolling Agreement to be uneconomic between 2040 and 2044 and, therefore, to
5 receive zero energy or capacity from the TransAlta Tolling Agreement after 2039.

6
7
8 *Source: Reproduced from: Exh. EAS-7C (PSE Revised Response to JEA DR 66 (C)) at 2.*

9 **Q. How does PSE plan to approach the CCA obligations of the TransAlta Tolling**
10 **Agreement?**

11 A. PSE’s portfolio optimization analysis included CCA compliance costs.¹⁰¹ Note: PSE also
12 includes CCA costs in its hourly dispatch analysis “because [CCA] is a direct cost that will be

¹⁰⁰ Exh. EAS-6C (PSE Revised Response to JEA DR 66 (C)).

¹⁰¹ *Id.* at 2; UTC, “Social Cost of Carbon,” available at <https://www.utc.wa.gov/regulated-industries/utilities/energy/conservation-and-renewable-energy-overview/clean-energy-transformation-act/social-cost-carbon>.

1 included in customer rates” whereas CETA (and associated social cost of greenhouse gases
2 costs) is not.¹⁰²

3 **IV. TRANSALTA TOLLING AGREEMENT IS NOT PRUDENT.**

4 **Q. Please summarize the Commission’s prudency standard.**

5 A. The Commission’s prudency standard is used to determine if a utility’s costs are reasonable
6 and justified and can be passed on to ratepayers.¹⁰³ Specifically, the prudency standard
7 considers whether a utility has:

- 8 1) Demonstrated the need for the proposed resource,
- 9 2) Assessed potential resource alternatives to determine cost-effectiveness,
- 10 3) Communicated its decision and associated costs with its Board of Directors, and
- 11 4) Maintained adequate documentation to allow the Commission to evaluate the
12 Company’s decision-making.¹⁰⁴

13 **Q. How does the prudency standard apply to resource power costs in a utility rate case?**

14 A. The standard applicable to the Commission in reviewing prudency of decisions related to
15 power costs, including those arising from power generation asset acquisitions is a
16 “reasonableness standard.”¹⁰⁵ The relevant test applied by the Commission is “what would
17 have a reasonable board of directors and company management have decided given what they
18 knew or reasonably should have known to be true at the time they made the decision.”¹⁰⁶

19 **Q. What is the scope of this reasonableness standard?**

20 A. The standard applies to both: (1) the need and (2) appropriateness of expenditures. Here, PSE

¹⁰² PSE Exh. CJP-25HCr (Revised Centralia Energy Transition Prudency and Non-Baseload Resource Documents) at 99.

¹⁰³ UTC, “About the Commission,” available at <https://www.utc.wa.gov/about-us/about-commission>.

¹⁰⁴ *WUTC v. PSE*, Docket No. UE-031725, Order 12, 232 P.U.R.4th 333 (Apr. 7, 2004) at *5.

¹⁰⁵ *Id.*

¹⁰⁶ *Id.*

1 must establish that it “adequately studied” the questions of whether to purchase the resources
2 and made a reasonable decision.

3 **Q. What information would inform whether PSE “adequately studied” a proposed**
4 **purchase?**

5 A. PSE is required to use “data and methods that a reasonable management would have used at
6 the time the decisions were made.”¹⁰⁷

7 **Q. How do utilities typically identify the need for a proposed resource and demonstrate that**
8 **the proposed resource’s cost is prudent?**

9 A. Utilities typically use resource planning processes to identify resource needs and select an
10 optimal, least-cost resource portfolio to meet future energy demand, and typically conduct
11 competitive procurement processes to demonstrate that a particular proposed resource’s cost is
12 reasonable and prudent compared to available alternatives.¹⁰⁸ Washington regulations (WAC
13 480-100-620) require that electric utilities submit an IRP that includes the identification of
14 resource needs and the selection of the “lowest reasonable cost mix of conservation and
15 efficiency, generation, distributed energy resources, and delivery system investments to ensure
16 the utility provides energy to its customers that is clean, affordable, reliable, and equitably
17 distributed.”¹⁰⁹ WAC 480-100-620 also specifies that IRPs must “include a comparative
18 evaluation of all identified resources and potential changes to existing resources for achieving
19 the clean energy transformation standards in WAC 480-100-610 at the lowest reasonable
20 cost.”¹¹⁰ In other words, to demonstrate that the cost of a proposed energy resource is prudent,

¹⁰⁷ *Id.*

¹⁰⁸ Exh. EAS-19 (Best Practices in Integrated Resource Planning); Exh. EAS-20 (Best Practices for All-Source Electric Generation Procurement).

¹⁰⁹ WAC 480-100-620.

¹¹⁰ WAC 480-100-620(7).

1 the utility must demonstrate that it is least-cost in the context of Washington’s clean energy
2 and emission reduction goals compared to available alternatives resources, including utility-
3 scale resources, behind-the-meter resources, and energy efficiency.

4 **Q. Was the TransAlta Tolling Agreement (or a resource of its kind) identified during a**
5 **resource planning process or competitive bidding process?**

6 A. No. There is no resource planning document prepared by PSE that recommends acquiring the
7 TransAlta Tolling Agreement,¹¹¹ nor does the Company’s 2025 RPA make such a
8 recommendation. According to the Pospisil testimony, “PSE established the need for this
9 project in its 2025 Resource Planning Analysis.”¹¹² However, PSE’s 2025 RPA analysis did
10 not include a preferred portfolio and did not consider or recommend any resource
11 acquisitions.¹¹³ The TransAlta Tolling Agreement was also not submitted or considered in the
12 Company’s 2024 Voluntary All-Source RFP for CETA-Compliant Energy and Capacity
13 Resources.¹¹⁴

14 **Q. Given that the TransAlta Tolling Agreement was not identified in a resource planning or**
15 **competitive bidding process, how was the project identified by the Company?**

16 A. As explained in Witness Pospisil’s direct testimony, “PSE was evaluating resources in its 2024
17 All-Source RFP while commercial discussions with TransAlta regarding the project were
18 underway” which “meant the project did not lend itself to consideration under the RFP
19 process.”¹¹⁵ Witness Pospisil’s Exhibit CJP-11HC (“2024 All-Source RFP Evaluation Process

¹¹¹ Exh. EAS-12 (PSE Response to JEA DR 48) (stating that PSE has not undertaking resource planning to identify a preferred portfolio of resources since 2023).

¹¹² PSE Exh. CJP-1T (Craig J. Pospisil Opening Testimony) at 111.

¹¹³ Exh. EAS-16 (PSE Response to JEA DR 100).

¹¹⁴ PSE does not consider or discuss the TransAlta Tolling agreement in either its 2024 RFP or the 2025 Resource planning Analysis. *See* PSE Exh. CJP-4 (2024 Voluntary All-Source RFP for CETA-Compliant Energy and Capacity Resources), *see also* PSE Exh. CJP-8 (2025 Resource Planning Analysis).

¹¹⁵ PSE Exh. CJP-1T (Craig J. Pospisil Opening Testimony) at 97.

Document”) notes that the TransAlta Tolling Agreement was a “non-RFP/bilateral negotiation” project.¹¹⁶

Q. Given that the TransAlta Tolling Agreement was the result of bilateral negotiations rather than a competitive bidding process, how was the project evaluated by the Company?

A. As discussed above, PSE was negotiating the TransAlta Tolling Agreement as the 2024 RFP Evaluation was taking place, so it evaluated the TransAlta Tolling Agreement by making it “available for selection in a sensitivity analysis in April 2025, when the 2024 RFP shortlist was established, and Centralia was selected as part of the optimal portfolio in that sensitivity analysis.”¹¹⁷ When the 2024 RFP analysis was updated again in November 2025—to utilize “current cost estimates at that time”—the TransAlta Tolling Agreement was selected again.¹¹⁸

Q. Please summarize how the project was evaluated by the Company.

A. PSE did not include the TransAlta Tolling agreement in its 2024 RFP Evaluation. PSE conducted its 2024 RFP Evaluation, which included assessing resource proposals that bid into the 2024 RFP in multiple phases: In Phase 1, the Company scored the proposals with a “rubric that weighted price and non-price factors” and the “highest-ranked proposals within each technology group advanced” to Phase 2, where the Company “conducted more detailed due diligence in line with the criteria established in the scoring rubric and portfolio optimization analysis.”¹¹⁹ Phase 1 served to eliminate “less competitive proposals and proposals that either did not meet minimum requirements, or had fatal flaws or material risks,” while Phase 2

¹¹⁶ PSE Exh. CJP-11HC (2024 All-Source RFP Evaluation Process Document) at 163.

¹¹⁷ PSE Exh. CJP-25HCr (Revised Centralia Energy Transition Prudency and Non-Baseload Resource Documents) at 92.38.

¹¹⁸ *Id.*

¹¹⁹ PSE Exh. CJP-1T (Craig J. Pospisil Opening Testimony) at 35.

1 “conducted optimization analysis to identify the most valuable combination of proposals to
2 meet PSE’s peak capacity and CETA energy needs.”¹²⁰

3 The Company evaluated the TransAlta Tolling Agreement after Phase 2 was completed
4 and the 2024 RFP shortlist was established, which suggests that the TransAlta Tolling
5 Agreement was never scored, ranked or subject to the same due diligence as resource proposals
6 that bid into the 2024 RFP.

7 **Q. What are PSE’s conclusions regarding the TransAlta Tolling Agreement?**

8 A. PSE finds that the TransAlta Tolling Agreement is “competitive with available dispatchable
9 alternatives”¹²¹ and will “address PSE’s capacity deficit”¹²² by addressing an estimated 28 and
10 52 percent of the Company’s forecasted winter and summer peak capacity deficits,
11 respectively.¹²³ Witness Pospisil notes that the TransAlta Tolling Agreement “will provide
12 PSE with a cost-effective, non-baseload resource that will enhance PSE’s reliability and
13 resilience as it transitions its resource portfolio in compliance with CETA.”¹²⁴

14 **Q. How does capacity factor of a facility impact Company costs?**

15 A. The capacity factor of a power plant is a measure of how often it runs. Specifically, the
16 capacity factor is the energy generated over a period as a share of the maximum energy that
17 could be generated if the facility were to run at maximum capacity. The capacity factor impacts
18 the economic cost to run the facility in several ways, for example, running a gas-fired facility
19 like the Centralia Energy Transition at a higher capacity factor would increase the amount of

¹²⁰ *Id.* at 36–37.

¹²¹ PSE Exh. CJP-25HCr (Revised Centralia Energy Transition Prudency and Non-Baseload Resource Documents) at 92.4.

¹²² *See id.*; PSE Exh. CJP-25HCr (Revised Centralia Energy Transition Prudency and Non-Baseload Resource Documents) at 99.

¹²³ PSE Exh. CJP-25HCr (Revised Centralia Energy Transition Prudency and Non-Baseload Resource Documents) at 92.3; PSE Exh. CJP-25HCr (Revised Centralia Energy Transition Prudency and Non-Baseload Resource Documents) at 100.

¹²⁴ CJP-1T (Craig J. Pospisil Opening Testimony) at 95.

1 fuel needed to generate electricity and increase the Company's CCA costs.

2 Despite this, PSE claims its prudence case does not depend on capacity factor:¹²⁵

3 PSE's prudence case for the Centralia Energy Transition Tolling
4 Agreement is not dependent on the resource dispatching at any particular
5 capacity factor in any given year of the term under normal modeled
6 conditions. A projected decline in energy dispatch does not reduce the
7 resource's capacity and reliability value, which are necessary to maintain
8 a reliable portfolio during a period of substantial resource retirements and
9 load growth.

10 According to the Company, the Centralia Energy Transition facility will operate
11 at an annual capacity factor between █ percent and █ percent—the contractual
12 maximum—where the capacity factors produced by models ranged from █ percent
13 to █ percent.¹²⁶ PSE's forecasted CCA compliance cost for the Centralia Energy
14 Transition is \$36.47 per MWh:¹²⁷

- 15 • █ in total in 2028 where the facility operates at a capacity factor of
16 █ percent.¹²⁸
- 17 • █ in total in 2029 where the facility operates at a capacity factor
18 of █ percent.¹²⁹

19 If the Centralia Energy Transition facility were to operate at an annual capacity
20 factor of █ percent, annual CCA costs would be an estimated █¹³⁰ As
21 such, the expected capacity factor has substantial impact on forecasted energy
22 costs and should be considered in evaluating the prudence of this resource.

¹²⁵ Exh. EAS-21 (PSE Response to JEA DR 136) at 2.

¹²⁶ Exh. EAS-22C (PSE Response to JEA DR 122 (C)) at 1.

¹²⁷ Exh. EAS-15HC (PSE Response to JEA DR 126 Attachment A (HC)).

1 **Q. Did the Company’s modeling find the TransAlta Tolling Agreement to be cost effective?**

2 A. No. The Company’s modeling determined that dispatch for energy is not economic for the last
3 six years of the Tolling Agreement (2040-2045), but the Company maintains that the “capacity
4 value of the resource (i.e., its availability to generate during periods of system need) persists
5 throughout the term of the tolling agreement regardless of projected economic dispatch in any
6 given year.”¹³¹ The Company also notes that the TransAlta Tolling Agreement is “expected to
7 increase power costs by [REDACTED] for the first full year in service in 2029 compared with
8 the perfect capacity placeholder in PSE’s updated five-year plan[,]”¹³² which “represents an
9 estimated [REDACTED] increase to the total electric revenue requirement” that equates to an
10 “approximately [REDACTED] monthly increase for an average residential customer.”¹³³

11 **Q. On what basis does PSE conclude that the TransAlta Tolling Agreement is cost-**
12 **competitive?**

13 A. PSE compared the TransAlta Tolling Agreement with two “dispatchable alternatives” that were
14 selected in the Company’s 2024 RFP analysis. The two alternatives that the Company
15 compares the TransAlta Tolling Agreement to are two [REDACTED] with dual-fuel simple-
16 cycle combustion turbines (“SCCT”), each with 171 MW of nameplate capacity—about four
17 times smaller than the TransAlta Tolling Agreement. The Company estimates that the
18 delivered levelized cost of capacity (LCOC) of the TransAlta Tolling Agreement is [REDACTED] per
19 kilowatt-year (kW-yr), which is lower than the LCOC of the two smaller [REDACTED] used for
20 comparison (see Table 4 below).

¹³¹ Exh. EAS-23C (PSE Resp JEA DR 62 (C)) at 2.

¹³² PSE Exh.CJP-25HCr (Revised Centralia Energy Transition Prudency and Non-Baseload Resource Documents) at 168.

¹³³ *Id.*

1 [REDACTED]
2 [REDACTED]
3 Company witness Pospisil clarifies that the TransAlta Tolling Agreement—though nearly four
4 times larger than the two smaller [REDACTED] used as cost comparisons—is designed to
5 operate more like a peaking resource than baseload generation, noting:

6 The Centralia Energy Transition project is not “baseload electric generation,” because it
7 is neither designed nor intended to provide electricity at an annualized capacity factor of 60
8 percent or more. Instead, it is designed and intended to serve as a reliable backstop resource for
9 the region. Indeed, PSE expects that the plant will operate at an annual capacity factor of [REDACTED]

10 [REDACTED] ¹³⁵

11 **Q. Did PSE compare the TransAlta Tolling Agreement to any non-thermal resources?**

12 **A.** No. PSE only compared the cost of the TransAlta Tolling Agreement to two dual-fuel single-
13 cycle combustion turbine peaker plants. These thermal plants require fossil fuels to operate and
14 do not constitute a CETA compliant renewable or non-emitting resource.

15 The RFP shortlist included non-thermal resources, including a large windfarm that PSE
16 chose not to procure, PSE did not compare the costs of any renewable or non-emitting
17 generation to the cost of the TransAlta Tolling Agreement. PSE did not provide any
18 explanation for why it exclusively evaluated thermal resource alternatives when evaluating

¹³⁴ PSE Exh. CJP-25HCr (Revised Centralia Energy Transition Prudency and Non-Baseload Resource Documents) at 92.5.

¹³⁵ PSE Exh. CJP-1HCT (Craig J. Pospisil Opening Testimony) at 94.

1 cost-effective resource alternatives.¹³⁶ Without this analysis, it is not possible for PSE, the
2 Commission or stakeholders to conclude that the TransAlta Tolling Agreement is a cost
3 efficient resource choice.

4 **Q. Does CETA place any restrictions on acquiring new greenhouse gas emitting electric**
5 **generating resources?**

6 A. Yes. CETA states that “[i]n the acquisition of new resources constructed after May 7, 2019,”
7 utilities should “rely on renewable resources and energy storage” provided that doing so would
8 “[a]chieve [CETA’s greenhouse gas] targets at the lowest reasonable cost, considering
9 risk[.]”¹³⁷

10 **Q. How should the Commission consider CETA’s prohibition on acquiring new greenhouse**
11 **gas emitting resources, in relation to PSE’s proposal to acquire the TransAlta Tolling**
12 **Agreement?**

13 A. CETA requires PSE to rely on renewable resources and energy storage to meet demand,
14 provided that doing so would achieve CETA’s greenhouse gas targets at the lowest
15 reasonable cost considering risk. The TransAlta Tolling Agreement is the acquisition of a
16 new resource, but it is fossil fuel powered.¹³⁸ PSE has not demonstrated that it cannot
17 meet the demand it seeks to fulfill by relying on the TransAlta Tolling Agreement by
18 instead using renewable resources and energy storage.

¹³⁶ See PSE Exh. CJP-25HCr (Revised Centralia Energy Transition Prudency and Non-Baseload Resource Documents) at 167.

¹³⁷ RCW 19.405.040(6)(a)(iii).

¹³⁸ Exh. EAS-24 (PSE Response to JEA DR 59).

1 **Q. Why should the Commission take PSE’s compliance with the 2030 greenhouse gas**
2 **neutrality standard into consideration in this rate case?**

3 A. The Commission has made clear that its decision in a general rate case is not based solely on
4 ensuring compliance with CETA:¹³⁹

5 [D]ecisions the Commission makes in general rate cases are not based on
6 the Company meeting its CETA requirements, but on whether the
7 Company has established that its requested increase in rates will result in
8 fair, just, reasonable and sufficient rates, and whether investments in
9 capital expenses are prudent, used and useful.

10 However, in considering whether proposed acquisition of generating resources are prudent and
11 in the public interest, the Commission must consider whether such investments are the “lowest
12 reasonable cost, considering risk” resource option, considering the utility’s legal obligation to
13 comply with CETA. Further, the Commission’s regulations authorize it to consider and issue
14 penalties and enforcement orders in general rate cases, if a utility is not complying with its
15 obligations under CETA.¹⁴⁰

16 **Q. Why should the Commission consider PSE’s progress toward complying with CETA’s**
17 **standard to become greenhouse gas neutral by 2030 in this rate case?**

18 A. It is especially important for the Commission to consider CETA compliance in this case,
19 because PSE has not conducted any resource planning to demonstrate the prudence of its
20 proposed resource acquisitions in this case—particularly the acquisition of an expensive
21 greenhouse gas emitting gas plant. Nor would future resource planning offer such an
22 opportunity, because PSE proposes to include the investments approved in this case into the
23 baseline for its future integrated system planning (and, thus, not subject to the model’s

¹³⁹ *Wash. Util. & Trans. Comm’n v. PacifiCorp*, *supra* at *22.

¹⁴⁰ WAC 480-100-665(2)(c).

1 evaluation for resource adequacy or cost efficiency).¹⁴¹ Because PSE has not undertaken any
2 analysis to evaluate whether the proposed gas-powered resource acquisitions would result in
3 compliance with CETA in resource planning, the Commission must address and determine
4 whether acquisition of these resources would enable PSE to comply with CETA in this case,
5 before they are approved for recovery from ratepayers.

6 **Q. Has the Company adequately demonstrated that the TransAlta Tolling Agreement is**
7 **prudent given the provisions of the prudence standard?**

8 A. No. The Company has failed to adequately assess potential resource alternatives to demonstrate
9 cost-effectiveness of the TransAlta Tolling Agreement and, as a result, has failed to provide
10 adequate documentation that would allow the Commission to fully evaluate the Company's
11 determination that the TransAlta Tolling Agreement is prudent. The Company did not include
12 the TransAlta Tolling Agreement in its 2024 RFP Evaluation, which means that the TransAlta
13 Tolling Agreement was never scored, ranked or subject to the same due diligence as resource
14 proposals that bid into the 2024 RFP. In addition, the Company argues that—despite the
15 Company's own RFP Evaluation modeling demonstrating that the project is uneconomic to
16 dispatch in six out of the seventeen years of the Tolling Agreement due to escalating
17 environmental compliance costs—the resource is still prudent because of its capacity value (“i.e.,
18 its availability to generate during periods of system need”).¹⁴² However, the Company fails to
19 provide any supporting analysis or documentation to support the assertion that the capacity value
20 of the TransAlta Tolling Agreement outweighs the fact that the project will be uneconomic to
21 dispatch for over one-third of its lifetime due to its inconsistency with Washington's clean
22 energy and emission reduction goals.

¹⁴¹ Exh. LCM-1T (Lauren C. McCloy Response Testimony) at 17.

¹⁴² Exh. EAS-23 (PSE Response to JEA DR 62 (C)) at 2.

1 When submitting an application under that section of the law, PSE can request that to
2 “recover financing interest costs in base rates on construction work in progress for capital
3 improvements” consistent with the limitations listed above.¹⁴⁷ In any event, the
4 Commission considers the application and may approve, reject, or approve with
5 conditions only if “it is in the public interest, and the construction, investment, or
6 purchase...complies with the commission’s administrative rules governing electric
7 resource procurement.”¹⁴⁸

8 **Q. Does PSE request recovery of CWIP costs in this current proceeding?**

9 A. Yes. PSE is seeking CWIP recovery from the following projects:¹⁴⁹

- 10 1. Beaver Creek 2 Wind
- 11 2. LSR 2 Wind
- 12 3. Schnebly Solar
- 13 4. Battle Butte Solar
- 14 5. Firm Capacity Turbines Tranche 1
- 15 6. Firm Capacity Turbines Tranche 2

16 The wind and solar projects (#1 through #4) will enter into service during the multiyear rate
17 plan period, while “PSE will acquire [the two Firm Capacity Turbine supply agreements]
18 during the multiyear rate plan period but will go into service after it.”¹⁵⁰

19 **Q. On what basis does PSE justify the appropriateness of CWIP recovery for these projects?**

20 A. PSE claims that “[e]ach of these projects meets the Commission’s case-by-case criteria of

¹⁴⁷ *Id.* at 80.86.040(2)(d).

¹⁴⁸ RCW 80.86.040(3).

¹⁴⁹ PSE Exh. CJP-1T (Craig J. Pospisil Opening Testimony) at 114.

¹⁵⁰ *Id.* at 6.

1 commercially feasible (thereby with less relative risk) and is of a shorter relative duration.”¹⁵¹

2 With regard to PSE’s Firm Capacity Turbines, these turbines consist of a total of six turbines

3 (in two tranches), which are no longer assigned to “any specific location.”¹⁵² On this basis,

4 PSE claims that the turbines are low risk since [REDACTED]

5 [REDACTED]¹⁵³

6 **Q. Do you agree that PSE’s Firm Capacity Turbines are prudent and appropriate for CWIP**
7 **recovery?**

8 A. No. PSE states that natural gas will be the initial fuel for the Firm Capacity Turbines and
9 that.¹⁵⁴

10 The ultimate fuel selection for the Firm Capacity Turbines will be
11 evaluated as part of the full investment decision for the project where the
12 turbines are deployed, which is separate from the turbine acquisition
13 prudence determination PSE seeks in this proceeding.

14 In light of this, PSE has not demonstrated that Firm Capacity Turbines Tranche 1 & 2
15 constitute a renewable resource, as defined by CETA. CETA requires PSE to exclusively
16 acquire new renewable resources and battery storage, provided that doing so would achieve
17 CETA’s 2030 and 2045 greenhouse gas reduction targets at lowest reasonable cost considering
18 the risk.¹⁵⁵ Since PSE has not demonstrated that Firm Capacity Turbines Tranche 1 & 2 are
19 renewable resources, it is imprudent to allow advanced cost-recovery for a new electric
20 generating resource that may violate PSE’s greenhouse gas mitigation obligation under CETA.

¹⁵¹ *Id.* at 115.

¹⁵² *Id.* at 65.

¹⁵³ PSE Exh. CJP-1HCT (Craig J. Pospisil Opening Testimony) at 65.

¹⁵⁴ Exh. EAS-26 (PSE Response to JEA DR 57).

¹⁵⁵ RCW 19.405.040(6)(a).

1 agreement is primarily needed for capacity, but has not demonstrated that the
2 capacity need outweighs the adverse financial costs, nor has it shown that it
3 could not meet this need with renewable and battery resources. Instead, PSE's
4 records show that renewable resources and battery resources submitted through
5 the competing bidding process were more competitive lower cost alternatives.

6 In addition, I recommend that the Commission deny CWIP recovery for the Firm Capacity
7 Turbines Tranche 1 and 2, because PSE has not demonstrated these resources are renewable,
8 and they are therefore in contradiction with Washington's commitment to renewable resources
9 under CETA.

10 **Q. Does this conclude your direct testimony?**

11 **A. Yes.**