



STATE OF WASHINGTON
DEPARTMENT OF COMMUNITY, TRADE AND ECONOMIC DEVELOPMENT
ENERGY POLICY DIVISION

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May 13, 2005

Ms. Carole Washburn, Secretary
Washington Utilities and Transportation Commission
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Olympia, WA 98504-7250
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RE: Docket No. UE-030311 and UG-030312 Least Cost Planning Rulemaking (WAC 480-100-238 Electric and WAC 480-90-238 Gas); Docket No. UE-030423 Purchases of Electricity (WAC 480-107)

Dear Ms. Washburn:

We thank the Commissioners and their staff for revisiting the rulemaking to amend the Commission's rules on least cost planning (integrated resource planning or IRP) and resource bidding. Since the inception of the proposed rulemaking nearly two years ago, integrated resource planning has taken on an even more important role in our state and region's electricity planning. The Northwest Power and Conservation Council has released its 5th Power Plan which is essentially a least cost plan for the region, Washington's IOUs have invested large amounts of time and money in improving their least cost planning processes and reports, and least cost planning is widely acknowledged as a critical tool in ensuring wise future resource choices.

These comments are specifically addressed to the UTC staff memo of December 16, 2003 memo responding to public comments on the least cost planning rulemaking. We believe that our 2003 comments merit reconsideration by the commission.

- A. Provide a definition in the WAC for “lowest total cost” or “lowest reasonable cost” that includes environmental, societal, and health costs related to providing energy service, and direct companies in their plans to quantify those externalized costs to which their customers may be exposed.**

The proposed amended rules create a definition for “lowest reasonable cost” which provides improved clarification. However, the definition still fails to directly address environmental, societal or health issues related to the cost benefit analysis of demand-side and supply-side resources. It still fails to direct the companies to quantify such costs.

The WUTC staff memo of December 2003 indicates that “Some externalities are now addressed and these should be included in the integrated resource plans. Revising the language to compel inclusion of other more controversial issues, which have yet to be generally accepted, is not necessary.” We believe there are several generally accepted environmental and health costs that the IRP rules should explicitly direct energy utilities to include in their analyses. Greenhouse gas emissions, particularly CO₂, are one such area. In 2003, Washington State enacted legislation that establishes CO₂ mitigation requirements, including a minimum price per metric ton of CO₂, for siting fossil fuel electricity plants in Washington. In practice, at least some Washington investor-owned utilities are including this legislative figure as one data point in their analyses. See RCW 80.70.020 Carbon Dioxide Mitigation Plan at <http://www.leg.wa.gov/RCW/index.cfm?fuseaction=chapterdigest&chapter=80.70>. Additionally the Washington State’s Attorney General, in conjunction with Attorney Generals from several other states, still have active lawsuits against the U.S. Environmental Protection Agency for its failure to regulate power plant CO₂ emissions under the provisions of the Clean Air Act.

On a federal level, the Bush Administration’s Environmental Protection Agency issued the Clean Air Mercury Rule this spring to permanently cap and reduce mercury emissions from coal-fire power plants. This rule is available at <http://www.epa.gov/air/mercuryrule/index.htm>.

We reiterate our request to explicitly include language in the IRP rule that expands the definition of lowest total cost or lowest reasonable cost to include environmental, societal and or health costs related to providing energy service and include language in the rule that directs utilities to quantify such costs as feasible.

In light of the progress to regulate additional fossil fuel emissions in the future the IRP rule needs to minimally address the following with regards to societal, health, and environmental costs.

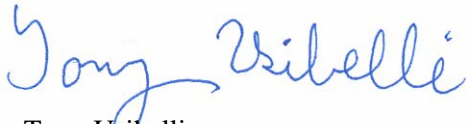
1. Provide a range of all reasonably known health and environmental costs associated with a site specific or generic electricity power plant. This could occur either within a Commission forum with regularly scheduled updates or could occur within the scope of each company’s LCP.
2. Direct the analysis comparing resources to include the cost of mitigating or preventing these environmental and societal costs if it is reasonable to estimate that such costs could be levied within the planning horizon of the IRP.
3. Direct the analysis comparing supply and demand resources to include, as possible, societal benefits.
4. Include a reasonable cost range of future resource risks that the utility might encounter based on in its resource selections. To the extent that such reasonably foreseeable costs/risks are not considered in the IRP, those risks should be born by stockholders rather than ratepayers.
5. Include language similar to WAC 480-107-001 in the IRP rules so that it applies to plant development by utility companies, “It is the Commission’s intent that bids under these rules shall include the costs of compliance by the project with environmental laws, rules, and regulations in effect at the time of the bid *and those reasonably anticipated to be in effect during the term of the project.*”

B. Modify the rules (WAC 480-107-001, WAC 480-100-238, and WAC 480-90-238) to give priority to the acquisition of cost-effective conservation.

Currently, the bidding WAC indicates that the “rules are intended to provide an opportunity for conservation and generating resources to compete on a fair and reasonable basis to fulfill a utility’s new resource needs.” To be consistent with both the Northwest Electric Power Planning and Conservation Act - Public Law 96-501 Section 4(e)1 and the State Energy Strategy we reiterate our request that all three rules be amended to give preference to first acquire all cost-effective conservation prior to making any purchases of generating power plants.

Thank you for the opportunity to submit comments in the development of the revised rules for utility resource planning and resource bidding. We look forward to participating in the Commission’s June stakeholder workshop to discuss these and related issues.

Sincerely,



Tony Usibelli
Director, CTED Energy Policy Division