VIA FIRST CLASS MAIL AND E-MAIL

Carole Washburn
Executive Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive SW
PO Box 47250
Olympia, Washington 98504-7250

May 3, 2003

Re: Docket No. UE-030311, electric least cost plan (WAC 480-100-238)

Dear Ms. Washburn,

Thank you for the opportunity to provide initial scoping comments on behalf of the NW Energy Coalition with regard to the above-referenced rulemaking docket. The Coalition supports review of the subjects listed on page 2 of the April 18 notice of opportunity to file written comments in this docket. Overall, we support increased specificity in the rule. We suggest the following additional items for review in this rulemaking. We are separately submitting comments on related dockets UG-030312 and UE-030423.

1) Specify how environmental externalities will be addressed.

Section 3(d) of the current rule requires "a comparative evaluation of generating resources and improvements in the efficient use of electricity based on a consistent method, developed in consultation with commission staff, for calculating cost-effectiveness." In the 2002 Puget Sound Energy rate case negotiations, several parties expressed an interest in revisiting the Commission's policies with regard to treatment of environmental externalities for determining cost-effective conservation. Exhibit F to the settlement stipulation, adopted by the Commission, states in provision (f) that PSE will determine the cost-effectiveness of proposed energy efficiency programs by examining a variety of components to calculate avoided cost. According to the stipulation, one of those components is "Continued use of 10% environmental adder to the total avoided cost unless a different methodology for recognizing environmental costs of energy systems is adopted by the Commission. Two proposals for the Commission to consider are adopting the Regional Technical Forum's (RTF) carbon offset benefit of $15/ton (or 6 mills) or initiating a rulemaking to make it own determination on the issue of environmental externalities."

We believe this rulemaking is the appropriate forum for discussion and adoption of specific provisions with regard to treatment of environmental externalities in cost-effectiveness calculations.

2) Better define what is meant by the term "least cost."

The current rule lacks specificity with regard to what is meant by the term "least cost." Section 2 defines a "least cost plan" as "a plan describing the mix of generating resources and improvements in the efficient use of electricity that will meet current and future needs at the lowest cost to the utility and its ratepayers." The definition does not clarify what is intended by the phrase "at the lowest cost to the utility and its ratepayers," instead leaving that open for multiple interpretations. We believe that "lowest cost" should explicitly include environmental externalities and health costs related to energy production, distribution, and consumption.

3) Emphasize electric resource portfolio management.

Electric resource portfolio management focuses on assembling a mix of demand- and supply-side resources designed to minimize economic and environmental costs. Enhanced portfolio management may be accomplished in part through establishing benchmarks in conjunction with rewards and penalties tied to a utility's overall performance as a resource portfolio manager.

Exhibit A to the 2002 Puget Sound Energy rate case settlement stipulation, adopted by the Commission, states "One of Puget Sound Energy's important responsibilities involves electric-resource portfolio development, a responsibility addressed in the Company's least cost plans prepared pursuant to WAC 480-100-238. This includes, among other things, assembling a mix of demand- and supply-side resources that promotes the societal benefits of reliable least cost electricity supplies. The parties agree that PSE's least-cost planning process provides an appropriate forum to address the evaluation of PSE's portfolio development, including consideration of rewards and/or penalties tied to PSE's overall long-term performance in portfolio development. The parties recommend that the Commission address these issues as soon as possible in Puget's least-cost planning process, pursuant to WAC 480-100-238, with opportunities for public comment prior to final determination." Exhibit F (Sec. M) of the PSE rate case settlement agreement includes a penalty mechanism related to PSE's acquisition of energy efficiency in accordance with annual savings targets. That represents one mechanism for meeting a specific performance benchmark. The least cost plan rulemaking provides a forum for discussing and establishing portfolio management benchmarks and incentives for achieving those benchmarks for all investor-owned electric utilities.

4) Specify how CO2 emissions risks and mitigation will be addressed in the least cost plan.

The current rule does not provide clear direction with regard to how utilities should assess costs and risks associated with mitigation of CO2 emissions from fossil fuel power plants. With the ratification of the Kyoto treaty in most advanced economies, much of the world is preparing to operate under binding constraints on greenhouse gas emissions with the right to emit CO2 becoming an increasingly scarce and valuable commodity. Recognizing this risk, a consortium of institutional investors representing over $4 trillion in assets announced in February that they are revaluing the world's 500 largest corporations based on their exposure to climate-related damages, carbon risk, and their position with respect to fossil fuel and clean energy markets[1]. Increasingly, cleaner power will be worth more in the electricity marketplace. An updated least

[1] See http://www.climatesolutions.org/pages/eNewsbulletins/March2003/MoneyTalks.htm

cost planning rule should specify how utilities should account for these costs and risks in evaluating resources as well as how commitment to mitigation of CO_2 emissions absent a specific legislative or regulatory requirement fits within the context of a utility's least cost plan.

5) Augment the public process associated with production and filing of least cost plans.

Section 1 of the rule provides that "provision for involvement in the preparation of the plan by the public will be required. … The content and timing of and reporting for the least cost plan and the public involvement strategy must be outlined in a work plan developed by the utility after consulting with commission staff." The rule does not however provide assurances that a public comment period, including a public hearing, will be implemented following the utility's filing of the plan. We suggest modifying the rule to ensure the public has adequate notice, opportunity and time to comment on the final plan prior to the Commission's determination of the plan's adequacy.

6) Address issues related to compliance with least cost plans.

Section 5 states, "The least cost plan, considered with other available information, will be used to evaluate the performance of the utility in rate proceedings, including the review of avoided cost determinations, before the commission." In this rulemaking, we would like to explore other potential opportunities for evaluating a utility's performance based on the contents of its least cost plan as well as the Commission's authority to enforce aspects of a least cost plan.

7) Define renewable resources and specify how they will be evaluated in a least cost plan.

Section 3(c) requires the plan to include "an assessment of technically feasible generating technologies including renewable resources, cogeneration, power purchases from other utilities, and thermal resources." The rule should define the term "renewable resources" (e.g., in accordance with existing statute RCW 19.29A.010). Further, the rule should specify how renewable resources will be evaluated in comparison to each other and to other generating and demand-side resources. For example, a utility should account for resource integration, tax credits, CO_2 and other emissions, risk management costs and benefits, etc.

8) Specify how energy efficiency and demand-side management will be addressed.

Section 3(b) requires the plan to include "an assessment of technically feasible improvements in the efficient use of electricity, including load management, as well as currently employed and new policies and programs needed to obtain the efficiency improvements." The rule should specify how energy efficiency and demand side programs will be evaluated in the context of the plan. For example, we suggest specificity with regard to treating conservation as a resource rather than simply as a decriment to loads.

Thank you for your consideration of these comments. A representative of the NW Energy Coalition will attend the stakeholder workshop on June 13.

Sincerely,

Danielle Dixon
Policy Associate