Renewable Northwest Project

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September 28, 2005

Carole J. Washburn
Executive Secretary
Washington Utilities and Transportation Commission
1300 South Evergreen Park Drive S.W.
P.O. Box 47250
Olympia, WA 98504

RE: Comments of the Renewable Northwest Project on Docket UE-030311, Least Cost Planning Rulemaking

Dear Ms. Washburn:

The Renewable Northwest Project appreciates the opportunity to submit these comments on the proposed rules in docket UE-030311. We submitted comments in this docket earlier this year on May 13th and participated in the workshop on June 9th.

In general, we think the proposed rules are an improvement over the draft rules. We appreciate the fact that the proposed rules clearly reflect the input of the parties over the past two years. While we generally think brevity is best, there are a few areas where we suggest the rules be made more detailed and clear. We offer additional specific comments below.

Global Warming and Carbon Compliance Costs

The most significant area of improvement is the direction to utilities to consider the implications of emissions of carbon dioxide in the definition of "lowest reasonable cost." Global warming could impose significant costs on Washington customers and shareholders. IRPs can result in decisions to invest in power plants with an expected life of forty or more years. The financial risk of who pays for carbon dioxide emissions (due to subsequent legislation, regulation or court order) is something that the Commission must address. We therefore commend the Commission and the Staff for this addition to the proposed rules.

However, we think the Commission should be even more explicit in its direction to utilities. First, at a minimum, we support the suggested language change offered by the Natural Resources Defense Council, replacing the proposed language with: "the costs of risks associated with future environmental regulations, including limits on emissions of carbon dioxide." In our opinion, it is not enough just to "consider" the costs of future carbon

regulation, we think utilities must account explicitly for the financial risk associated with greenhouse gas emissions and apply that value to its IRP analysis.

Staff states that a rule is not the appropriate place to assign a specific value to environmental externalities. Staff memo p. 2. We therefore recommend that the Commission open an investigation at the conclusion of this docket to examine the range of appropriate values for CO2 that utilities should use in their IRPs. PacifiCorp, Puget and Avista have all analyzed the risk of future carbon regulation in some manner in their IRPs. PacifiCorp was a regional leader for being the first to assign a value for CO2 emissions to its base case in 2003. While these are important first steps to addressing the impacts of global warming on utilities and their customers, we believe this issue requires more consistency in the analysis and assumptions used in the IRP.[1] A proceeding at the Commission specifically dedicated to consideration of the range of values assigned to CO2 emissions would provide that consistency.

Resource Alternatives

The proposed rules provide that an IRP should include "an assessment of a wide range of commercially available generating technologies" WAC 480-100-238 (3)(c) as well as "a comparative evaluation of the cost of generating resources." (3)(e). But there is no direction as to how generation resources should be analyzed. We believe that the rules should be specific as to having all resources evaluated on a consistent and comparable basis and we recommend that this direction be added to the Content section of the proposed rules.

This is particularly important in the case of renewable resources because the amounts of renewables considered in portfolio analyses are often subject to artificial limitations. Bolinger and Wiser note that, "Though one would generally expect the extent to which renewable resources are included within candidate portfolios to be a direct function of their cost and performance as well as their ability to mitigate certain risks, this is not always the case. Instead, utilities often establish exogenous limits to the amount of renewable sources that can be selected."[2]

Utilities impose such limits due to unfamiliarity with wind or other renewable resources. Fortunately, utilities are gaining more experience with renewables and a lot of good analysis has gone into the areas of integration and capacity value of wind power. As this experience grows, we urge utilities to: (1) consider the full range of renewable resources available, not just wind: and, (2) not artificially impose caps on the amount of renewables a model considers.

Transmission

We support the addition that the IRP include "an assessment of transmission system capability and reliability." A significant issue for all resources, but especially location-dependent resources like renewables, is the availability of capacity on existing lines as well as the need for expansion of the transmission system to access more remote resources and

[1] "Balancing Cost and Risk: The Treatment of Renewable Energy in Western Utility Resource Plans," Bolinger, Mark and Ryan Wiser. Lawrence Berkeley National Laboratory, Environmental Energy Technologies Division, August 2005. http://wwtd.lbl.gov/EA/EMP. pg. 62.
[2] Bolinger and Wiser, page 14.

bring it to load centers. As wind power expands in the region, IRPs will need to include updated analysis of transmission costs for accessing growing quantities of wind generation.[3] When assessing the cost of upgrades, it is also critical to estimate the value that these improvements may have on increasing the reliability of the transmission system.

Thank you for the opportunity to provide these comments.

Sincerely,

Ann English Gravatt
Policy Director

[3] Bolinger and Wiser. Pages 29-30.