

Via First Class Mail and Email

Carole Washburn
Executive Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

May 12, 2003

Re: Docket Nos. UE-030311, UG-030312, and UE-030423

Dear Ms. Washburn,

Thank you for the opportunity to provide some initial comments on the three above-mentioned dockets the Commission has opened for rulemaking. Because our comments are generally in the same vein for all three dockets, the Energy Project will address them jointly to avoid unnecessary duplication. We believe that regulation is most in the public interest when it makes as transparent as possible the total costs involved in providing services at "least cost," and when such analysis is performed in a manner consistent with relevant policy directions indicated by the legislature and general public.

In this regard we find ourselves very much in agreement with the comments already submitted by Danielle Dixon of the Northwest Energy Coalition. Since the Commission is charged with regulating in the public interest and authorized to promulgate rules regarding "the comfort and convenience of the public," we would argue for a somewhat broader or more inclusive consideration of environmental costs when one is determining "least cost" or attempting to comparatively evaluate traditional purchase options on a consistent basis with energy efficiency or alternative purchase options.

Take, for example, the cost of CO₂ pollution from using coal to produce electricity. One might argue that there should be no addition to the market cost of the coal-generated kWh, because Washington does not currently have a rule setting a value for that cost. We believe this is not in the public interest, however, since there is a cost to the public. The magnitude may not be standardized, but one thing that is most certain is that the cost is not zero. From a public interest perspective, it is better to have an explicit value or range of values for that cost, than to leave the cost hidden by not recognizing it in valuing the commodity. One need not be concerned that one might incorrectly set the magnitude since any positive number is probably closer to the truth than zero. As Ms. Dixon points out, there are a number of examples of entities setting policies recognizing this fact from a local (Oregon), regional (the Regional Technical Forum), or global perspective (the Kyoto treaty).

Furthermore, there will be ample opportunities to reevaluate the number given that Least Cost Plans are to be filed every two years and there are five utilities that are required to file them. We note that RCW 19.29A.005(2) lists preserving the benefits of consumer and environmental protection in the same breath, and prior to, low-cost rates.

WAC 480-107-001 also indicates that the "costs of compliance . . . with environmental laws, rules, and regulations . . . reasonably anticipated to be in effect during the term of the project" are intended to be included when comparing different options to fill a utility's resource needs. So the issue of environmental costs that are not currently internalized in the price per unit of fuel the consumer sees is key not only to the definition of "least cost," but also to the actual comparative analysis that is the heart of least cost planning. By extension it also pertains to the definition used for "renewable resources," as this is key to the make up of the resource mix the utility ultimately manages to meet its load. We concur with NWECA that the legislative intent that resulted in RCW 19.29A.010 definition of renewable resources should hold sway.

We are also aware that the importance of a utility's compliance with its least cost plan is another topic that will benefit from clearer definition. This is made somewhat more urgent by the settlement stipulation of the PSE Rate Case (Docket Nos. UE-011370 and UG-011571) in which the utility is penalized for failure to meet a banded target of conservation resource acquisition. How does the Commission view a utility's performance when the company indicates that they will secure a specific amount of supply for a given price, and then fails to do so? How do considerations differ if the result is a reliability failure versus a higher cost for the commodity and, hence, upward pressure on rates? Should there be any different consideration if a utility fails to achieve its conservation targets?

Perhaps one of the most difficult tasks to date in developing a least cost plan has been the art of truly integrating such varied options as hardware purchases, market purchases, conservation acquisition, demand reduction, etc. As I now understand it, the process has more or less been the following: the optimal level of conservation acquisition has somehow been determined, then decremented from the total needed load, at which point the utility compares its various supply options for the best mix to meet the remaining load. Does this really integrate demand- and supply-side options on equal footing? (While some may argue that, in fact, this process unfairly gives a preference to conservation, that would only be true if the result was a greater investment in conservation than would have resulted from a head-to-head comparison. Conservation proponents will also point to such reference indicated in RCW 43.21F.010, RCW 43.21F.015, and the 1980 Power Planning Act.) As we go forward with more sophisticated technology and approaches, it will be important to include conservation acquisition as a resource acquisition, as a way to meet loads, rather than simply as a decrement to loads.

In considering these rulemakings the complexity of these issues are all

too clear. It reminds us of the enormity of the task the Commission, the utilities, and other stakeholders face each time they take up the work. We are also reminded that the name of the process alone, "Least Cost Planning," may inadvertently tend to put more emphasis on cost issues. But the issue is not the provision of energy services at the lowest possible cost. The true issue is the provision of reliable energy services, in conjunction with consumer and environmental protections, at the lowest reasonable cost. In that sense, cost is a second level consideration, after the appropriate policies for reliable service and consumer and environmental protection are in place.

Thank you for consideration of these comments.

Respectfully,

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