



Climate Solutions

PRACTICAL SOLUTIONS TO GLOBAL WARMING

August 16, 2013

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The Honorable David Danner
Utilities and Transportation Commission
P.O Box 47250
Olympia, WA 98504
Re: Docket UE-120767

Dear Chairman Danner and Commissioners,

As the climate crisis moves from anticipated to actual consequences, our energy investment imperatives are clear: we must avoid new capital investments in long-lived fossil fuel infrastructure, and focus new energy investment on more efficient use, clean new generating resources, and energy system investments that facilitate both efficient use and carbon-free energy production. Because the problem is so big and ubiquitous, the danger is that it may be considered beyond any agency's appropriate jurisdiction. We suggest the opposite conclusion: it is *everyone's* jurisdiction. But particularly for the Commission and the state's largest utility, where such a large part of our energy investment strategy is decided and implemented, the responsibility is clear.

PSE's IRP is arguably the single most important planning document directing the flow of Washingtonians' energy investment dollars. As such, it is a vital opportunity to align utility resource acquisition practices with these imperatives. PSE's deep experience and significant accomplishments in energy efficiency and renewables confirm that a full, economically sound transition from high-carbon to clean resources is now within reach. Accomplishing this transition as economically and expeditiously as possible is the shared responsibility of the utility, regulators, policy-makers, and energy users. We embrace that responsibility and welcome the opportunity to offer these comments on the vital role of PSE's IRP in helping us rise to this challenge.

PSE is of course no stranger to the clean energy transition, having made significant investments in energy efficiency and new renewables in recent years. Looking forward, we hope and expect that PSE will fully capture all cost-effective conservation opportunities, develop and integrate new renewables, and invest in a smarter, more resilient grid. We support the comments from our colleagues at the Northwest Energy Coalition and the Renewable Northwest Project on these aspects of the IRP.

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But as the International Energy Agency¹ has starkly warned, averting catastrophic climate disruption requires that we invest in clean energy *instead* of investing in new fossil fuel infrastructure. Investing in both simultaneously – digging the hole deeper while trying to climb out – is both an unconscionable waste of consumers’ money and a losing climate strategy. Implementing solutions and achieving a clean energy transition at the necessary scale will take many decades of patient, incremental investment. But in the meantime, the carbon math is clear and non-negotiable on this point: we must avoid long-term, capital-intensive infrastructure investments that “lock-in” dangerous emission trajectories. If we’re going to make it better, we have to stop making it worse. This brings us to the role of the Colstrip facility in PSE’s resource plan.

The Colstrip power plant is, of course, an existing energy resource rather than a completely new investment decision. And yet continuing to operate it for the next 20 years, as the IRP anticipates, would require major *new* capital investments, not all of which are anticipated and accounted for in the IRP. This crosses the bright line for responsible climate action – large, long-lived new capital commitments to fossil fuel infrastructure are simply and flatly inconsistent with the scientific, policy, and moral requirements for climate stabilization.

By failing to include carbon costs in the base-case scenario, the IRP indulges in a form of climate denial: ignoring the problem rather than analyzing and acting upon its implications for utility resource investments. We understand the challenges associated with quantifying these costs, but conscious ignorance is not the best way to protect consumers from uncertainty. (Extensive recent federal work to establish a Social Cost of Carbon² offers a conservative baseline for accounting.)

In an economically rational world, these costs would be fully internalized by responsible public policy commitments to prevent catastrophic climate disruption. But in this world, right now, the costs themselves are *real*, and people are paying them, regardless of when and whether they are internalized by law in energy transactions. The failure of policy-makers to internalize these costs does not make them go away (on the contrary, it increases and prolongs them), nor does it relieve relevant decision-makers from responsibility to account for them in the context of decisions that aim to minimize the total cost of energy service. The fact that the costs do not fall exclusively on PSE customers is no excuse for ignoring them.

We sympathize with companies and regulators who feel that this issue could be better and more comprehensively resolved by policy-makers. We hope that when the opportunity next arises to implement a rational climate policy that internalizes carbon costs, the Commission, PSE, and other interested parties will work together to effectuate a fair and rational policy solution. But that is not one of the options available in the context of this IRP. The only options are to account for the costs of carbon pollution or ignore them. Notwithstanding the challenges associated with accounting for these costs, addressing them here is the only responsible option available. In fact,

¹ <http://www.worldenergyoutlook.org/publications/weo-2011/>

² <http://www.epa.gov/climatechange/EPAactivities/economics/scc.html>

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failing to do so means volunteering to incur these costs, when a true, least-cost solution might avoid them.

Customarily, commissions consider these costs only insofar as they can be characterized as future regulatory risks. Since the Supreme Court ruled in *Massachusetts v. EPA* that the Clean Air Act requires carbon regulation, these risks are certainly foreseeable. Earlier this year President Obama announced his Climate Action Plan,³ the most prominent component of which is EPA regulations on carbon dioxide emissions from existing power plants. EPA Administrator Gina McCarthy has likewise announced that the agency “has a clear responsibility to act now on climate change.”⁴ Along with additional rules on fly ash, haze and other pollutants, coal-fired power plants, particularly plants with older generators like Colstrip Units 1 and 2, will face significant regulatory hurdles and new capital investment requirements in the near future.

At the state level, Governor Inslee and the Washington State Legislature are currently overseeing a process to analyze and recommend climate policies that will assure that Washington achieves its statutory carbon pollution limits. Since the Colstrip facility is the largest single source of carbon pollution serving Washington’s energy needs, economic exposure is foreseeable here too. As Governor Inslee recently said in addressing the Northwest Power and Conservation Council, “...Coal contributes about 80 percent of our greenhouse gasses from all the electricity we consume. In my state, we know where that carbon pollution is coming from, and it’s time to do something about it...”⁵

However, while regulatory costs are *reasonably foreseeable*, the actual costs of the emissions – the ultimate public policy basis for regulatory involvement – are clearly visible and mounting today. They are real financial and environmental costs⁶. They are occurring now⁷, and accelerating. “Least-cost planning” that ignores these costs isn’t just failing to anticipate future internalization of costs; it is turning a blind eye to the increasingly exorbitant costs that climate disruption is imposing now, while consigning our kids to bear the costs of the *preventable* climate disruption that will ensue from today’s fossil fuel infrastructure investment.

The Commission may well question whether it has meaningful jurisdiction over global emission trajectories, and whether its evaluation of PSE’s IRP is relevant at the scale of the climate crisis. This is, of course, the climate challenge it a nutshell – it is bigger than anyone’s jurisdiction, and all solutions are, in isolation, futile.

³ “The President’s Climate Action Plan”, Executive Office of the President, June, 2013, <http://www.whitehouse.gov/sites/default/files/image/president27climateactionplan.pdf>

⁴ “New EPA chief exhorts agency staff to ‘act now on climate change’”, *The Hill*, July 22, 2013. <http://thehill.com/blogs/e2-wire/e2-wire/312561-new-epa-chief-to-staff-this-is-a-defining-time-for-epa>

⁵ <http://www.nwcouncil.org/news/press-releases/2013-07-09-inslee/>

⁶ See, e.g., “Mining Coal, Mounting Costs: The Life-Cycle Consequences of Coal”, Harvard School of Public Health, <http://chge.med.harvard.edu/sites/default/files/resources/MiningCoalMountingCosts.pdf>

⁷ See recent testimony of Heidi Cullen, Climate Central, to Senate Environment and Public Works Committee at http://www.epw.senate.gov/public/index.cfm?FuseAction=Hearings.Testimony&Hearing_ID=cfe32378-96a4-81ed-9d0e-2618e6ddff46&Witness_ID=58ce8a69-e444-40fd-b877-b72eab23f7ce

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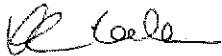
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But PSE's IRP, and the resource investment decisions that flow from it, do not occur in isolation. PSE's investments are among the most important climate actions in a state that is firmly committed to climate solutions; indeed, our statutory emission limits can only be met if our utilities invest our energy dollars in the clean energy transition. Businesses, individuals, and communities are tackling the challenge in growing numbers. As the largest utility in the state, PSE is the gatekeeper for our biggest and most important collective energy investment choices. And now that devastating climate impacts are occurring, responsibility for the climate consequences of these choices can no longer be deferred or shunted.

Stepping up to the climate challenge is, above all, a *shared* responsibility. We appreciate the significant contributions PSE has made, and the Commission's ongoing work to align utility incentives with the public interest in clean energy and climate stabilization. Replacing the Colstrip plant with a least-cost mix of clean resources and efficiency investments is the necessary next step, and the biggest single opportunity to advance Washington's transition to a clean energy future. We are mindful of both the regulatory complexities and the business challenges associated with this transition, and stand ready to help PSE and the state rise to those challenges in every way possible.

Sincerely,



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