City of Seattle

2013 AUG 16 PM 3: 34

August 16, 2013

The Honorable Dave Danner, Chair
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Dr. SW,
Olympia, WA 98504-7250

Dockets UE-120767 and UG-120768

Dear Chairman Danner:

We are writing to provide you with the City of Seattle's comment on Puget Sound Energy's (PSE) 2013 Integrated Resource Plan (IRP), Dockets UE-120767 and UG-120768.

The City of Seattle is a significant customer of PSE. While Seattle City Light provides most of the electricity used by the various departments of the City of Seattle, the City has facilities outside of the geographic boundaries of the City that are supplied electricity by PSE. In 2009, these facilities purchased more than 13 million kWh of energy. Further, as a city focused on reducing our greenhouse gas emissions, we believe it is important to conserve energy through efficiency measures and to shift to power sources with a low carbon footprint. As of 2011, approximately 32% of PSE's electricity came from burning coal, with the majority of this coming from the Colstrip Generating Facility (CGF) in eastern Montana.

Given the amount of electricity the City of Seattle purchases from PSE, and the global threat posed by climate disruption, we ask that the Washington Utilities Transportation and Utilities Commission (WUTC), as part of its review and approval process for PSE's 2013 IRP, require that PSE strengthen its efforts to reduce greenhouse gas emissions and move away from carbon-based energy sources. The energy generation options PSE pursues should be informed by a consideration of the full spectrum of risks associated with these options and that the risks are transparently disclosed by PSE.

More specifically, we ask that WUTC require that PSE thoroughly consider and disclose the potential risks associated with PSE's interests in the CGF. Such a thorough and transparent disclosure will better enable PSE's customers to understand the legal, regulatory and environmental implications of PSE's interests in the CGF as well as inform PSE's choice of the most economically feasible mix of options in its generation portfolio.

A complete consideration of the risks associated with CGF requires additional analysis that is not currently included in PSE's IRP. For example, the IRP should include a separate analysis of the potential risks associated with CGF's Units 1 and 2. Units 1 and 2 are substantially older, more expensive to operate and subject to greater regulatory and legal risk than Units 3 and 4. By aggregating the analysis across all four units, the potentially higher risk exposure of Units 1 and 2 will be masked.

In addition, PSE's base case scenario should include analysis of how a price on carbon would affect the financial implications of operating CGF. While a price on carbon has not yet been established via a carbon tax or cap and trade system, it is feasible that one may be established and a price on carbon should be incorporated into the cost benefit analyses of regulatory actions within the 20 year purview of the IRP. For example, under Executive Order 12866, an interagency group of federal agencies recently completed an update estimating the social cost of carbon. Given that CGF's annual emissions are equivalent to 3 million cars, the establishment of a price of carbon could have major financial implications for the operation of CGF. Therefore including a cost of carbon is a prudent risk management measure that should be included in the IRP final preferred portfolio.

We must begin to transition away from a carbon intensive energy system and towards an energy system based on cleaner alternatives. Such a transition can be facilitated by a range of policy options, be it carbon taxes or the removal of subsidies for fossil fuel based energy sources. Mapping out a path for reducing reliance on CGF and shifting to cleaner energy sources would reduce the potential risks and provide greater rate certainty for customers. The IRP should look at alternative means for meeting projected future energy needs. Energy conservation and renewable energy should be more strongly emphasized, and more consideration should be given to the growing trend of distributed energy generation. At a minimum, the energy choices we're making today must be informed by an understanding of the full spectrum of the current and future risks associated with fossil fuel-based sources. It is not only the prudent thing to do from the utilities perspective, but the right thing to do from the public's perspective.

Sincerely,

Michael McGinn
Mayor of Seattle

Mike O'Brien
Chair, Energy and Environment Committee

Sally J. Clark
Seattle City Council President
Vice Chair, Energy and Environment Committee

Tim Burgess
Member, Energy and Environment Committee