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**Submitted Via UTC Web Portal ([www.utc.wa.gov/e-filing](http://www.utc.wa.gov/e-filing))**

November 12, 2020

Mark L. Johnson  
Executive Director and Secretary  
Washington Utilities and Transportation Commission  
621 Woodland Square Loop SE  
Lacey, WA 98503

Submitted via: [www.utc.wa.gov/e-filing](http://www.utc.wa.gov/e-filing)

**RE: Docket Nos. UE-191023 and UE-190698; Comments by Invenergy LLC**

Dear Mr. Johnson,

Invenergy LLC (Invenergy) appreciates the opportunity to respond to the Washington Utilities and Transportation Commission (Commission) Notice of Opportunity to File Written Comments (Notice) issued on October 14, 2020, Relating to Clean Energy Implementation Plans (CEIPs) and Compliance with the Clean Energy Transformation Act (CETA), Docket UE-191023, and In the Matter of Amending, Adopting, and Repealing WAC 480-100-238, Relating to Integrated Resource Planning (IRP), Docket UE-190698.

### **CETA Requires Fundamental Changes to Rules for Electric Utility Resource Planning**

Invenergy has participated throughout the Commission's rulemaking process for Docket UE-10923 and Docket UE-190698. Our involvement is based on support for the truly transformational goals that CETA sets for reducing and eventually eliminating greenhouse gas (GHG) emissions from the electric utility sector in Washington. Achieving the clean energy transformation requires fundamental changes to how utilities plan, acquire and operate electric resources. As a result, a number of fundamental changes to the Commission's rules for utility resource planning are also needed.

### **Recommended Changes to Resource Planning Rules**

At several stages in the rulemaking process, Invenergy has provided specific comments intended to assist the Commission in developing revised rules for IRPs and new rules for CEIPs that will help ensure a timely and smooth transition to increased use of clean energy in Washington. Those comments have emphasized the following topics.

#### CETA Expands the Definitions of Least Cost and Cost Effectiveness

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The Commission's rules - and utility practices - for IRP have traditionally been founded on definitions of least cost and cost-effectiveness that did not explicitly quantify or incorporate environmental externality costs such as the real damage costs caused by GHG emissions. CETA fundamentally changes this paradigm by explicitly requiring utilities to include the Social Cost of Greenhouse Gas (SCGHG) emissions as a cost adder in IRPs and CEIPs. The Commission's IRP and CEIP rules should recognize and accurately implement this change by expanding the definitions of least cost and cost-effectiveness beyond direct monetary costs to electricity customers (e.g., costs of service) to also include quantifiable externality costs such as the SCGHG.

#### IRP and CEIP Rules Should Recognize the SCGHG as an Incremental Cost

Damage costs caused by GHG emissions are a clear example of an environmental externality. The SCGHG values specified in CETA were developed to quantify the monetary value of the incremental damages caused by each metric ton of CO<sub>2</sub>-equivalent GHG emissions. It is standard economic practice to incorporate environmental externality costs, including various forms of pollution, as incremental costs that can affect production decisions (i.e. during dispatch) rather than fixed costs imposed after production decisions have already been made (i.e. dispatch complete).

Recent developments, including the Federal Energy Regulatory Commission's September 30, 2020 Technical Conference Regarding Carbon Pricing in Organized Wholesale Electricity Markets and ongoing discussions about an expanded organized Western electricity market, also indicate an increasing likelihood that GHG emissions costs will be incorporated into regional wholesale power market prices. It is also possible that a national and/or state carbon tax or cap-and-trade program will be adopted.

As a result, standard environmental economics principles and growing prospects for carbon pricing in the West both support making the IRP and CEIP rules justify requiring utilities to include the SCGHG as an incremental cost adder. Invenenergy is not aware of any other jurisdiction that requires or allows regulated entities to incorporate SCGHG as a fixed cost adder after the fact.

#### New Resources and Major Repowering of Existing Resources Should be Evaluated on a Consistent Basis

Major repowering of existing generating resources would require significant investments by utilities. Major repowering of existing GHG-emitting resources would also extend the useful life and amounts of GHG emissions from those resources. Invenenergy has noted that in the past, utilities have repowered certain existing generating resources without including them in the IRP evaluation process. To ensure that future utility decisions about generation repowering are made properly, the IRP and CEIP rules should require including those decisions in utility resource planning processes. Further, the rules should require IRPs and CEIPs to evaluate major repowering of any existing generating resource on a consistent basis with new resource opportunities, including application of the same requirements under CETA.

#### IRP and CEIP Rules Should Not Facilitate Construction of New or Repowered GHG-Emitting Resources

CETA requires utilities to increase their use of clean energy resources to achieve carbon neutrality by 2030 and shift completely to non-emitting and renewable resources by 2045. In light of these requirements, it is clear that construction of new, long-lived GHG-emitting generating resources should not be encouraged. Therefore, the IRP and CEIP rules should not allow utilities to bias their IRP and CEIP evaluations to justify constructing or repowering GHG-emitting generating resources. For example, as

described above, the rules should not allow utilities to treat the SCGHG as a fixed cost adder in their IRPs and CEIPs. The IRP and CEIP rules should also require utilities to evaluate potential costs to themselves and to their retail electricity customers if newly-constructed or repowered GHG-emitting resources are retired before the end of their useful service lives.

### **Summary Comments on the IRP and CEIP Rules**

Unfortunately, there is a significant gap between Invenergy's primary comments and the IRP and CEIP rules. Rather than recognizing the fundamental expansion of the meaning of least cost and cost-effectiveness to include the dollar value of externality costs of GHG emissions, the rules continue to reflect an emphasis on direct costs of service.

The rules also do not recognize the growing prospects of carbon pricing and do not provide guidance on how utilities should incorporate the SCGHG as a cost adder.

While some progress has been made to include repowering of existing generation in IRPs and CEIPs, the rules could more clearly identify how utilities should evaluate repowering on a consistent basis with new resources.

More guidance could also be provided in the rules to ensure that any construction of new GHG-emitting resources is based on a complete justification including the risks that such new resources will be cost-effective over a reduced lifespan.

Finally, the timing for submittal of IRPs and CEIPs is concerning. For example, the rules require utilities to file IRPs that comply with those rules by January 1, 2021, at essentially the same time that the rules will become effective. This makes it seem unlikely that the IRPs will fully comply with the rules. Further, utilities will not be required to complete a new IRP until four years later, in 2025. This would create a four-year window in which utilities could have an inordinate amount of latitude to make resource decisions that are not fully consistent with the Commission's rules.

### **Potential Adverse Consequences**

Adoption of the rules for IRP and CEIP as currently written, in conjunction with 2021 IRPs and CEIPs that seem unlikely to fully comply with those rules, and a four-year gap until utilities are required to complete new IRPs and CEIPs, threatens to result in confusion, opportunities for investments that are not fully vetted, and utility decisions that do not fully meet the objectives of CETA. Invenergy is especially concerned that utilities may proceed to construct new GHG-emitting generation, or repower existing GHG-emitting generation, that will turn out to produce more GHG emissions than necessary and result in higher than necessary costs to retail electricity customers.

## **Recommendations**

Invenergy recognizes that CETA requires the Commission to adopt revised rules for IRPs and new rules for CEIPs by December 31, 2020. Invenergy recommends that the Commission's initial rules include an additional requirement for utilities to submit a new IRP by January 1, 2023 and a new CEIP by October 1, 2023. Also, after the Commission adopts its IRP and CEIP rules and utilities have submitted their upcoming IRPs, Invenergy encourages the Commission to revisit the rules and consider making revisions, including on the topics discussed in our comments above.

Invenergy thanks the Commission for its consideration of these comments and recommendations.

Sincerely,/s/ Orijit Ghoshal  
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