

January 30, 2018

RE: Dockets UE-160918 and UG-160919; Comments on Carbon Costs and Pricing

Dear Washington Utilities and Transportation Commissioners:

I am concerned about runaway climate change from the continued use of any fossil fuel. I fear that PSE's IRP does not put us on the required path to save ourselves. In this document, I will focus on the substantial financial risk to PSE customers from carbon pricing and stranded assets.

I want to be proud of my utility. I like what I see about my utility being green and using wind energy when I review PSE's publicity. When I review their IRP and other materials, however, I see a company that is not as green as they purport to be. They say they want a green future and will take a wait-and-see approach on the need for new peaker plants, yet they are not rejecting the building of a new one while they wait-and-see. Rather, it appears they are prepared to build a new plant that generates energy from gas as soon as they can find a way to do it. In 2018, there is no justification for building any new gas infrastructure. It would be a long-term and unnecessary expense for PSE ratepayers. The idea that gas is a bridging fuel is, at best, another bridge to nowhere, but in fact, is a bridge to a faster destruction of the planet¹ than using renewable energy, storage, and energy conservation, all of which are feasible and underutilized by PSE.

PSE also is in no hurry to close Colstrip units 3 & 4, yet this too is essential if we are to have a sustainable future, and a sustainable future is what PSE illustrates in their publicity. The unaccounted-for social, environmental, and health costs from continuing to pollute the air by burning coal vastly out-weighs the costs of closing coal plants soon.² Please tell PSE that ratepayers will not pay for any new fossil fuel infrastructure and tell them they must plan to get off coal no later than 2025. Utilities around the world are finding ways to free themselves from fossil fuels, and PSE can do it too.

The cost of all fossil fuels will rise over time, as carbon pricing is increasingly seen as an essential tool for solving our climate crisis. Carbon pricing schemes have been implemented or scheduled in 42 national and 25 sub-national jurisdictions.³ Eight of these were new or enhanced programs in 2016, and 75% of these were in the Americas. The World Bank Group on Climate Change calls not only for expanding the carbon pricing to new regions, they also call for "deepening impact by raising carbon prices" and note that we need to do this at an "accelerating" pace.⁴ Has PSE used realistic carbon pricing and rates of increase in its models?

¹ <http://priceofoil.org/content/uploads/2017/11/gas-briefing-nov-2017-v5.pdf>

² <https://news.nationalgeographic.com/2017/09/climate-change-costs-us-economy-billions-report/>

³ <http://carbonpricingdashboard.worldbank.org>

⁴ https://openknowledge.worldbank.org/bitstream/handle/10986/28510/wb_report_171027.pdf

While the United States is not yet part of this group of responsible nations putting a price on carbon, there is increasing political will in Congress and among conservative leadership in the country to do this soon. Serious discussions to put a price on carbon are occurring on the federal level. Various bills to price carbon were introduced in the US House and Senate in 2017, with one starting at \$30/ton with an increase of 4% above inflation and three starting at \$49/ ton with an increase of 2% above inflation.

The political will in Congress to price carbon has grown surprisingly in the past two years. Evidence of this includes the formation and growth of the Climate Solutions Caucus in the US House of Representatives. It was formed in 2016. In January 2017, just after the new Congress and climate-denying President were sworn in, there were 9 Republicans and 9 Democrats on this caucus working together to deal with climate change. When I submitted testimony in August 2017 about PSE's rate case, I noted that membership was up to 26 Republicans and 26 Democrats. Membership continues to grow. Today, there are 34 Republicans and 34 Democrats working together on this caucus.⁵ According to one of its co-founders, Rep. Carlos Curbelo, the caucus began by bringing people to the table to discuss climate, then they began to block bad climate legislation. Now they are ready to identify and support useful climate legislation.

Recently, the Climate Leadership Council was created by a group of prominent conservatives, including James Baker, George Shultz, and Gregory Mankiw.⁶ They propose putting a price on carbon, starting at \$40/ton and rising \$5 per year. This is an example of the growing pressure from Republicans to deal with the climate problem. As the Council notes, "Economists are nearly unanimous in their belief that a carbon tax is the most efficient and effective way to reduce carbon emissions." ExxonMobil and GM are among the corporate supporters of putting a price on carbon and of this particular proposal.

Partly as a result of the Trump administration's denial of climate change and partly a result of the increasing evidence that we need to act to solve the problem quickly, there is increasing pressure from citizens in Washington state on their legislators to act decisively on climate this session. Legislators have responded by introducing many bills that deal with some aspect of climate. On January 22, 2018, about 200 voters from 44 of 49 districts in the state went to Olympia to lobby for the passage of three of those bills, which included the Governor's plan to put a price on carbon. They were from groups including Audubon Washington, Washington Women for Climate Action Now, and CarbonWA. It was good to learn that PSE supports the Governor's plan, but disappointing to learn PSE does not support the bill that would require all new generation by utilities to be clean, thus not permitting PSE to proceed with new gas generation.

While we cannot say when it will happen, carbon pricing is coming, and it will likely be quite soon. PSE customers, along with everyone else, will have to pay more and more every year for fossil fuels. Customers with utilities that continue to plan to use gas as a "clean" fuel, as PSE

⁵ <https://citizensclimatelobby.org/climate-solutions-caucus/>

⁶ <https://www.clcouncil.org/our-plan/>

currently does, will pay more both for the fuel and for the stranded assets built from this outdated mode of thinking. Customers with utilities surrounding PSE's service area will not have this problem. PSE customers will be particularly outraged at the lack of foresight shown by utilities or regulators who, in 2018, condoned the construction of new fossil fuel infrastructure.

Please help PSE see the errors in using models that do not realistically predict the future costs of fossil fuels and do not reflect the desires of their customers to have a livable world for the future. I question whether Kimberley Harris, President and CEO of PSE and Chair of the Board of Directors for the American Gas Association, can be trusted to give good guidance to PSE on this issue. I am sure the people who work for PSE have the talents to easily map a quick and viable path to a fossil fuel-free future if they have a clear mandate from above to switch priorities. I also am confident that you understand the severity and magnitude of the issues and will do all within your power to prevent catastrophic events and help PSE stay a viable utility.

Thank you.

Sincerely,

Dr. Virginia I. Lohr

Retired Professor and Scientist,
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and PSE Customer

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