Burdet, Kevin (ATG)

From:	Gafken, Lisa (ATG)
Sent:	Sunday, February 9, 2020 11:19 AM
To:	Burdet, Kevin (ATG)
Subject:	Fwd: Consumer concerns about coal plant "out-of-merit" operation
Attachments:	LohrPSE_2020RateCase_UE-190529.pdf; ATT00001.htm

For inclusion in the public comments exhibit.

Sent from my iPhone

Begin forwarded message:

From: Kevin Jones <kevinjonvash@gmail.com>
Date: February 7, 2020 at 1:59:40 PM PST
To: "Gafken, Lisa (ATG)" <lisa.gafken@atg.wa.gov>
Cc: "Colamonici, Carla (ATG)" <Carla.Colamonici@atg.wa.gov>, Virginia Lohr <lohr@turbonet.com>
Subject: Consumer concerns about coal plant "out-of-merit" operation

Hi Lisa,

Virginia Lohr submitted the enclosed comment as part of the PSE Rate Case hearing. I wanted to bring this comment to your attention as it may have direct bearing on Washington consumer electricity rates.

Let me state clearly that we have no evidence that Washington state utilities are operating their coal plants “out-of-merit”.

My personal concern is whether regulators are aware of this possibility and are investigating the likelihood in our region. Now that we are undergoing a Clean Energy Transformation in Washington state, investor owned utilities may be motivated to operate their coal-fired power generation facilities “out-of-merit”, while they only have five years of remaining operation, to put wear and tear on these facilities and preserve other fossil fuel generation capability for use following the 2025 CETA mandate for coal free electricity.

I hope this information is useful and informative in your charter to protect Washington utility consumers. Please contact Virginia or myself if you have any questions.

Thank you,

Kevin Jones
PO Box 2607, Vashon, Wa 98070
206-463-1766

Sent from Mail for Windows 10

From: Virginia Lohr
Sent: Friday, February 7, 2020 10:33 AM

To: Kevin Jones
Subject: Gas plants out-of-merit comment

Kevin,

Attached is a copy of my comment on PSE's rate case for you to distribute if, after reading it, you think there is value in doing so.

I think you should submit it to the PCU, because you have a more solid relationship with them than I have. You would also do a better job of framing the cover memo about why they should look at it.

If you really want me to send it, let me know.

Cheers,
Ginny

February 5, 2020

RE: PSE Rate Case Docket UE-190529

Dear Washington Utilities and Transportation Commissioners:

PSE's electric rates are higher than rates charged by other investor-owned utilities in the state and much higher than those charged by publicly-owned utilities in the state. Residential rates in PSE's territory are more than 20% higher than average residential rates in Washington State.[1] Why is this? Is this really justifiable?

I recently learned that some for-profit utilities across the country are running coal-fired plants when it is uneconomic to do so. By using "out-of-merit dispatches" or "self-committing," they are essentially unfairly jumping in line and forcing their power to be purchased in place of lower-cost sources; the inflated prices are passed on to their rate-payers. As a result, their customers are paying **billions of dollars more** than they should.[2] This practice appears not to have been apparent to many regulators until recently. This practice also can prevent lower-cost, clean energy sources from competing on a level playing field, which is not consistent with our state's clean energy goals. Is PSE doing this?

Monopoly utilities, such as PSE, apparently tend to run their coal plants nearly all the time, even when it is not the least-cost way, let alone the least *reasonable* cost way, to produce electricity. There was a time when running plants nearly all the time seemed to make sense, but that is no longer the case. Coal plants not operated by monopoly utilities no longer run all the time. Coal plants can be ramped up or down as needed.[3] There is no reason to run them during times when weather conditions indicate that cheap clean energy will be in abundant supply during a particular period. Comparisons between coal plants based on the type of ownership, for example in the Midcontinent Independent System Operator region, have documented the practice of monopoly utilities running "out-of merit dispatches" from their coal plants more often than merchant-owned coal plants do.[4] Is PSE doing this?

This paragraph in an April 2019 blog by Joseph Daniel, Senior Energy Analyst for Union of Concerned Scientists, indicates that charging rate-payers for coal plant operations may often not be prudent.

> *Over the past year, I have looked at the hourly operations of over one-third of the coal fleet in the US and have come to a startling conclusion:* ***Each and every one of the coal units I have investigated have been uneconomic for at least one month.*** *That is, the costs to operate them in a given month exceeded the revenues they earned in the energy market that same month.*[5]

Some justify the practice of "self-scheduling" by saying that long-term coal contracts require them to use the coal. Again, there is a difference in what monopoly utilities and merchant-owned coal plants

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1 https://www.electricitylocal.com
2 https://www.forbes.com/sites/energyinnovation/2019/12/03/utilities-running-uneconomic-coal-plants-cost-consumers-35-billion-from-2015-2017/#118fc103342d
3 https://blog.ucsusa.org/joseph-daniel/coal-is-no-longer-a-baseload-resource-so-why-run-plants-all-year
4 Fig. 7, https://www.sierraclub.org/sites/www.sierraclub.org/files/Other%20Peoples%20Money%20Non-Economic%20Dispatch%20Paper%20Oct%202019.pdf
5 https://blog.ucsusa.org/joseph-daniel/inflexible-coal-breaking-energy-markets

do, showing this practice is not essential and thus should not be a justification for "self-scheduling" coal plants.[6] Is PSE doing this?

Partly as a result of research from Sierra Club and the Union of Concerned Scientists, the practice of running coal plants out-of-merit is increasingly being scrutinized by the Federal Energy Regulatory Commission and utility regulators in various states, and it appears to be a factor in some rate cases and overcharges for rate-payers.[7, 8, 9] I hope this increased scrutiny is also happening in our state. I also hope that "out-of-merit dispatches" or "self-committing" is not a hidden factor in why PSE's electricity rates are already so high or in why PSE wants those rates to rise even further. It is not prudent to run coal plants when they are not the least reasonable way to supply our power.

If PSE has been running coal plants when they are not the least reasonable cost method, shouldn't shareholders be responsible for the extra costs, not ratepayers? If PSE has been running coal plants with "out-of-merit dispatches" or by "self-committing," isn't this a reason to reject their proposed electricity rate hike? If PSE has been doing this, isn't it also a reason to actually lower electricity rates to levels below current rates, so ratepayers are no longer bearing this unnecessary, imprudent, and out-of-merit charge?

Thank-you for your attention to this matter.

Sincerely,

Dr. Virginia I. Lohr
Retired Professor and Scientist
Vashon Climate Action Group Volunteer
PSE Rate-Payer
9514 SW Burton Drive
Vashon, WA 98070

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6 https://blog.ucsusa.org/joseph-daniel/inflexible-coal-breaking-energy-markets
7 https://www.youtube.com/watch?v=JSGTuJK5mnY&feature=youtu.be
8 https://blog.ucsusa.org/joseph-daniel/three-possible-solutions-uneconomic-coal
9 https://energynews.us/2020/01/24/midwest/uneconomic-coal-plants-cost-michigan-ratepayers-millions-analysts-say/