

**EXHIBIT NO. ___(RDK-1)
DOCKET NO. UE-161123
WITNESS: ROBERT D. KAHN**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

**NORTHWEST & INTERMOUNTAIN
POWER PRODUCERS COALITION,**

Respondent.

DOCKET NO. UE-161123

DIRECT TESTIMONY OF ROBERT D. KAHN

**ON BEHALF OF NORTHWEST & INTERMOUNTAIN POWER PRODUCERS
COALITION**

APRIL 11, 2017

1 **NORTHWEST & INTERMOUNTAIN POWER PRODUCERS COALITION**

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3 **DIRECT TESTIMONY OF ROBERT D. KAHN**

4 **I. INTRODUCTION**

5 **Q. Please state your name, business address, and present position with**
6 **Northwest & Intermountain Power Producers Coalition.**

7 **A.** My name is Robert D. Kahn. I rep by Northwest & Intermountain Power
8 Producers Coalition (“NIPPC”) as Executive Director. My business address is
9 P.O. Box 504, Mercer Island, WA 98040. I have been in my current position
10 since 2002.

11 **Q. What are your duties as Executive Director?**

12 **A.** I champion the competitive paradigm in the Northwest’s electric power industry.
13 I am also responsible for managing all of NIPPC’s regulatory advocacy.

14 **Q. Briefly describe your education and experience prior to your employment at**
15 **NIPPC.**

16 **A.** After completing a B.A. at Colgate University, I began my career as a staff
17 member for the architect/philosopher R. Buckminster Fuller. I later joined the
18 Program for the Study of the Future at the University of Massachusetts School of
19 Education where I completed a doctorate in 1982. I served two years in
20 California Governor Jerry Brown’s Administration as Public Information Officer
21 for the Office of Appropriate Technology.

1 I have edited two books and authored numerous articles for such
2 publications as: Electricity Journal, New Energy, Technology Review,
3 Windpower Monthly, The Futurist, Water Environment & Technology, and
4 Independent Energy.

5 **Q. Please explain why the Settlement is in the public interest.**

6 **A.** The Settlement is in the public interest based because it allows Microsoft to take
7 retail wheeling service in a manner that benefits remaining customers and allows
8 the Commission and interested stakeholders an opportunity to conduct a broader
9 discussion of retail wheeling and direct access for industrial and certain
10 commercial customers of Washington's regulated investor owned utilities.

11 **Q. Why did NIPPC intervene in this proceeding?**

12 **A.** NIPPC is a trade association whose members include private industry participants
13 active in the Pacific Northwest and Western energy markets. The purpose of
14 NIPPC is to represent the interests of independent power producers and marketers
15 in developing rules and policies that help achieve a competitive electric power
16 supply market in the Pacific Northwest. NIPPC generally supports direct access
17 because it lowers end use consumer retail rates, and fosters competitive power
18 markets.

19 **Q. What were NIPPC's goals in this proceeding?**

20 **A.** NIPPC had two primary goals. First, to support Microsoft's efforts to purchase
21 power from independent third party electricity suppliers in a way that did not

1 burden or harm remaining customers. Second, to ensure that the approval of
2 PSE's new retail wheeling tariff started, rather than ended, a broader discussion of
3 retail wheeling in Washington state.

4 **Q. Why did NIPPC support Microsoft's efforts to purchase power directly from**
5 **the market?**

6 **A.** Microsoft and industrial and large commercial customers want more control and
7 certainty over their power supply to lower their costs and meet other corporate
8 goals, including purchasing additional renewable energy. The ability to lower
9 power costs and access renewable energy is a priority in boardrooms throughout
10 the United States. Washington state will become more competitive if larger
11 consumers like Microsoft are able to make power supply decisions that lower
12 their business costs. Thus, retail wheeling allows the state to maintain existing
13 industries and attract new businesses. Competition from non-utility power
14 suppliers will make utilities operate more efficiently and strengthen wholesale
15 power markets, which will drive down power costs for all customers. The
16 Settlement is consistent with the goal of allowing Microsoft to lower its costs to
17 keep and expand its Washington business operations.

18 Market access will also provide companies the option to purchase
19 renewable energy above and beyond that required of their utilities under the
20 Renewable Portfolio Standard. The Settlement will accelerate Washington's
21 policy goals by enabling at least one self-selecting eligible commercial and

1 industrial customer to purchase renewable energy and to serve as the leading edge
2 of renewable energy growth in the state.

3 Companies like Microsoft should be able to fulfill their deeply seated
4 commitments to operate using green energy. The majority of the largest US
5 businesses have set public climate and energy goals to increase their use of
6 renewable energy. Companies are seeking to improve the environment and
7 purchase green power because reducing energy use and using renewable energy
8 have become core business and sustainability strategies. One of the many
9 challenges businesses face in accessing cost-effective projects on favorable terms
10 is the inability to directly purchase renewable power from the market. The
11 Settlement is consistent with these goals by allowing Microsoft to better pursue its
12 corporate goals to purchase more renewable power.

13 **Q. Why is it important to have a broader discussion of retail wheeling and**
14 **direct access?**

15 **A.** As mentioned above, there is significant demand by larger and more sophisticated
16 customers for the right to make their power supply decisions. NIPPC did not
17 want to have a broad policy discussion regarding direct access in this proceeding
18 because it was designed to allow Microsoft the ability to quickly access the
19 market. In other words, a wide ranging proceeding regarding whether and at what
20 terms industrial and larger commercial customers should be able to access the
21 market would have slowed down Microsoft's ability to purchase more renewable
22 power now.

1 Other industrial and larger commercial customers, however, should be
2 provided similar opportunities, and the Commission should conduct a proceeding
3 to investigate which customers should have the freedom to purchase electricity
4 from third parties and what those terms and conditions should be. The
5 Commission should welcome this discussion and the ability to establish overall
6 policy guidance because, without the discussion, there will be more ad hoc and
7 company specific requests for direct access. In other words, the discussion will
8 occur in one way or another, and the Commission should control and set the
9 agenda rather than simply react to legislative and administrative requests to retail
10 wheeling as they appear. The Settlement is consistent with these goals because
11 Staff has committed to initiate a broader discussion of retail wheeling and direct
12 access.

13 **Q. What process does NIPPC propose to address whether and under what terms**
14 **and conditions Washington customers should have to access the power**
15 **supply market?**

16 **A.** NIPPC prefers that this discussion occur in a specific docketed proceeding
17 regarding retail wheeling and direct access that will result in the establishment of
18 clear policies under which utilities will propose tariffs that allow certain industrial
19 and large commercial customers to select direct access. Given the divergent
20 operational and geographical characteristics of PSE, PacifiCorp and Avista, there
21 need not be the same policies for each Washington investor owned utility. NIPPC
22 defers to Staff regarding the exact manner of starting this process, and is willing
23 to initially proceed with an informal process, if Staff decides that is the best way

1 to move forward. It is critical, however, that this review occur with sufficient
2 time so that its conclusions can be incorporated into PSE's integrated resource
3 planning analysis regarding the replacement of the Colstrip 1 and 2 units, which
4 are currently scheduled for retirement no later than July 2022. The significance of
5 acting quickly was demonstrated by PSE's own stranded cost calculation in which
6 there were significant stranded benefits to customers following the closure of
7 Colstrip's two units. Remaining customers could achieve significant savings, if
8 the market rather than PSE fills the gap caused by these plant retirements.

9 **Q. Is important to protect end use consumers who choose to remain on cost of**
10 **service rates, or who do not have the ability to purchase power from third**
11 **parties?**

12 **A.** Yes. It is a core principle for NIPPC that customers with the ability to directly
13 access the market not harm the remaining captive customers. This Settlement not
14 only ensures no harm to other customers, but results in net benefits by requiring
15 Microsoft to pay an exit fee that is arguably well above any stranded costs,
16 ensures that conservation funding will not be reduced, expands funding for low
17 income programs, and obligates Microsoft to purchase renewable power well
18 above the Renewable Portfolio Standard requirements. While NIPPC does not
19 take a position on whether these conditions should be precedential, the fact that all
20 parties, with widely divergent interests, support the Settlements demonstrates that
21 both Washington state and remaining customers will not only be protected from
22 harm, but significantly benefited.

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Q. Do you have any final comments regarding retail wheeling and direct access in Washington?

A. PSE’s Schedule 448/449 direct access program for large industrial customers is the most successful retail wheeling program in the Western United States, and has been operating for over a decade. This success is based upon strong support and cooperation from interested parties, especially large customers, PSE, and the Commission. No Schedule 448/449 customers have sought to return to cost of service rates, and the program has allowed these customers to be more competitive to the benefit of the entire state. Other industrial and commercial customers are clamoring for similar market access, and the regulatory and legal framework exists for the expansion of PSE’s program beyond the Schedule 448/449 customers and Microsoft. NIPPC looks forward to engaging in what will hopefully be collaborative discussions regarding how this can be accomplished for other customers in a manner that benefits the state as well as not harm those customers who remain on cost of service rates.