



NW Energy Coalition

UE-210829

December 6, 2021

Amanda Maxwell
Executive Director and Secretary
Washington Utilities & Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

Re: PacifiCorp's Petition for Exemption of WAC 480-100-605, UE-210829

Dear Ms. Maxwell:

NW Energy Coalition (NWECC) appreciates the opportunity to respond to the Notice of Opportunity to file written comments on the Petition for Exemption (Petition) filed by PacifiCorp (PAC). The Coalition is an alliance of more than 100 organizations united around energy efficiency, renewable energy, fish and wildlife preservation and restoration in the Columbia basin, low-income and consumer protections, and informed public involvement in building a clean and affordable energy future. NWECC has been involved in the development of the PAC Integrated resource plans (IRPs) over many IRP cycles and the Clean Energy Implementation Plan (CEIP) since the passage of the Clean Energy Transformation Act (CETA) in 2019.

NWECC objects to PAC's petition for waiver from CETA rules regarding how alternative portfolios are structured and to PAC's incorrect interpretation of what the CEIP preferred portfolio must include. We urge the Commission to deny the petition.

We have several concerns about the petition. Our concerns are summarized here; the attached legal memo presents the larger legal framework that supports our position.

First, PAC intentionally ignores RCW 19.280.030(3)(a), which requires a utility to consider the Social Cost of Greenhouse Gas (SCGHG) when selecting and evaluating conservation policies, programs and targets; developing IRP and Clean Energy Action Plans (CEAPs); and evaluating and selecting intermediate term and long-term resource options. On page three of PAC's petition for waiver, PAC states "***In its 2021 Integrated Resource Plan (IRP), PacifiCorp's lowest reasonable cost portfolio (CETA Portfolio) was developed using a mid-gas, mid-carbon cost price curve. Deemed 'P02-MM-CETA,' the portfolio contains actions and investments necessary to meet PacifiCorp's public service obligations in all six states it serves, plus the specific requirements of the Clean Energy Transformation Act (CETA). P02-MM-CETA does not include a Social Cost of Greenhouse Gas (SCGHG) dispatch adder 'in the resource acquisition decision' because no state that PacifiCorp serves 'requires SCGHG to be used in this specific way'.***

In the accompanying footnote, PAC states they met the requirements of RCW 19.280.030, which guides the development of Integrated Resource Plans (IRPs), by testing the SCGHG in other portfolios, not the selected portfolio. PAC effectively asserts that they are not required to use the SCGHG while selecting

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resources for the IRP preferred portfolio and they therefore do not include the SCGHG while selecting resources for the CEIP preferred portfolio for consistency with the IRP.

The incremental cost calculation reveals the problem with PAC's logic. WAC 480-100-605, unambiguously states the alternative portfolio must include the SCGHG in resource acquisition decisions just as is done with the IRP preferred portfolio;

*"Alternative lowest reasonable cost and reasonably available portfolio" means, for purposes of calculating the incremental cost of compliance in RCW 19.405.060(3), the portfolio of investments the utility would have made and the expenses the utility would have incurred if not for the requirement to comply with RCW 19.405.040 and 19.405.050. The alternative lowest reasonable cost and reasonably available portfolio **must include the social cost of greenhouse gases in the resource acquisition decision in accordance with RCW 19.280.030 (3)(a).** "*

This was underlined by the rule adoption order. General Order R-601 states in part;

37. *The variety of proposals demonstrates the lack of statutory direction concerning the incorporation, or modeling, of the SCGHG emissions in IRPs. Accordingly, the rules we adopt by this Order do not require a specific modeling approach at this time. Rather, as we discuss further below in Section III.F.2, the proposed **rules require that the utility include the SCGHG emissions in the alternative lowest reasonable cost and reasonably available portfolio for calculating the incremental cost of compliance in the CEIP. How the utility chooses to model the SCGHG emissions in its preferred portfolio in the IRP will inform its CEAP and ultimately its CEIP. The utility must provide a description in its CEIP of how the SCGHG emissions are modelled and incorporated in its preferred portfolio.***
38. *Utilities should also consult with their advisory groups regarding **how to model the SCGHG in their IRP, CEAP, and CEIP.** If a utility treats the SCGHG as a planning or fixed cost adder in its determination of the optimal portfolio, including retirements and new plant builds, we expect the utility to model at least one other scenario or sensitivity in which the SCGHG is reflected in dispatch. Similarly, if a utility incorporates the SCGHG in modeling dispatch costs, we expect the utility to provide an alternative scenario or sensitivity analysis, such as the planning adder approach, to determine the optimal portfolio, including retirements and new builds. Such modelling will help to inform how best to implement CETA's requirement to include the SCGHG emissions as a cost adder.*
132. *In enacting CETA, the Legislature both amended Chapter 19.280 RCW and created Chapter 19.405 RCW. **The IRP and CEIP processes are closely interrelated.** The most reasonable statutory interpretation is that the term "lowest reasonable cost" has the same general meaning in both statutes. **Finally, although the phrase "social cost of greenhouse gas emissions" appears only in RCW 19.280.030, the calculation of cost for greenhouse gas emissions, including the effect of emissions, applies throughout CETA. This is yet another indication that SCGHG was intended to have implications outside of the IRP. The proposed rules, therefore, define the baseline portfolio's reference to "lowest reasonable cost" to include the SCGHG in the same manner required under Chapter 19.280 RCW.***

Requiring the SCGHG to be included in the alternative portfolio selection, but not in the preferred portfolio selection, would necessarily lead to illogical incremental costs, as PAC has discovered. This illogical apples-to-oranges comparison does not reflect the content or the spirit of the law and the associated rules. The SCGHG was deliberately included in CETA to account for the serious costs of damaged public health and environmental harms caused by fossil fuel use. Requiring that those external costs get internalized changes the financial incentives for utilities and leads to a rapid transition to 100% renewable and non-emitting energy. Both the preferred and the alternative portfolios must consider the SCGHG; the only real difference between the two should be those actions that are required above and beyond those that the SCGHG incentives in order to meet the requirements of 19.405.040(1) and 19.405.050(1).

PAC's multi-state status should not be an excuse for not complying with RCW 19.280.030 or 19.405.060(1)(b)(ii), nor should it pose a technical challenge to incorporating the SCGHG in the preferred portfolio or alternative portfolio. There are multiple ways that PAC could apply the SCGHG to resources allocated to Washington customers within their portfolio analysis. One approach would be to conduct an additional Washington-specific portfolio run that effectively freezes the resource decisions allocated to other states so that the SCGHG only affects resource decisions allocated to Washington. For example, PAC could:

- Begin with the IRP preferred portfolio and fix (i.e., use constraints to force in or out) resource decisions that are not allocated to Washington
- Then apply a SCGHG only to existing and candidate resources (or the portion of resources) that are or would be allocated to Washington and to any market purchases serving Washington loads
- Re-solve using CETA constraints, keeping all non-Washington resource decisions fixed to match the preferred portfolio, to get the CEIP preferred portfolio
- Repeat this process without the CETA constraints to solve for the alternative portfolio for determining incremental costs

We believe that this type of approach, or a similar approach that isolates the effects of the SCGHG on Washington customers, is both feasible and reasonable, would result in two portfolios that meet Washington's statute and rules and would provide the required data for the required incremental cost comparison.

Respectfully,

/s/

Joni Bosh
Senior Policy Associate
NW Energy Coalition

/s/

Kelly Hall
Washington Director
Climate Solutions

