BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

Docket UE-210829

In the Matter of PACIFICORP, dba PACIFIC POWER & LIGHT COMPANY, Petition for Exemption of WAC 480-100-605.	Comments of Renewable Northwest **December 6, 2021**

COMMENTS OF RENEWABLE NORTHWEST

Renewable Northwest appreciates the opportunity to comment on PacifiCorp's Petition for Exemption of WAC 480-100-605, which provides that "[t]he alternative lowest reasonable cost and reasonably available portfolio" for purposes of determining the incremental cost of compliance with the Clean Energy Transformation Act ("CETA") "must include the social cost of greenhouse gases in the resource acquisition decision." For the reasons set forth below, we recommend that the Commission deny PacifiCorp's petition.

Before explaining our position, we briefly describe the Petition. In it, PacifiCorp seeks "an exemption from the requirement set forth in WAC 480-100-605, which requires that the 'alternative lowest cost and reasonably available portfolio' include the social cost of greenhouse gases (SCGHG) 'in the resource acquisition decision.'"[1] PacifiCorp explains that, in its view, including the SCGHG "in the resource acquisition decision" would be "inconsistent with the customer protection purposes of RCW 19.405.060(3)" and would "lead to absurd results."[2] PacifiCorp reports that "[i]f the rules were applied strictly as written," the company would need "to compare a CETA Portfolio developed without a SCGHG (P02-MM-CETA), to an Alternative Portfolio developed with the SCGHG (P02-CETA)."[3] This analysis would "produce[] absurd results attributable solely to that difference in assumed carbon price, namely, a significant negative incremental cost that would never actually translate to customers' bills" -- even though the company is actually spending money on resources attributable to CETA.[4] PacifiCorp goes on to explain that its "proposed incremental cost calculation delivers meaningful results" and to provide the Commission with a legal basis for granting the position.

[1] Petition at 1.
[2] *Id.* at 2.
[3] *Id.* at 3.
[4] *Id.*

While PacifiCorp may be correct that its proposed incremental cost calculation delivers *meaningful* results, Renewable Northwest opposes the company's petition because the company's proposed calculation does not deliver *complete* results that comply with CETA itself.

On the issue of completeness, the Commission included the SCGHG in the incremental cost calculation for a reason: while it may not show up on customers' electricity bills, SCGHG -- the social *cost* of greenhouse gas emissions -- is a real cost that will likely show up on untold other bills paid by PacifiCorp customers, not to mention costs that go beyond bills such as drought, extreme heat, severe weather, and displacement due to wildfires. As a law- and policy-making body, the legislature mandated that utilities consider those traditionally externalized costs and account for them in post-CETA planning efforts.[5] As an economic regulator, the Commission made the thoughtful and considered decision to ensure that those traditionally externalized costs were included in both the base and the compliant portfolio for purposes of determining the incremental cost of CETA compliance.[6] As a practical matter, it makes sense that a utility's incremental cost of CETA compliance may sometimes be negative even where the company is investing in resources for the purpose of CETA compliance -- those investments should result in avoided greenhouse gas emissions that, had they occurred, would have brought significantly more costs to bear on utility customers than the costs associated with incremental resources. If the incremental cost of resources needed for CETA compliance exceeds the incremental benefit of avoided greenhouse gas emissions by a sufficient margin, then the alternative compliance mechanism spelled out at RCW 19.405.060(3) may be available; this approach to CETA is not only the one the Commission incorporated into rule but also fully consistent with customer protection.

As to compliance with CETA, Renewable Northwest agrees with PacifiCorp that "[t]he Commission's authority to grant exemptions from its rules is restricted only by the limits of its statutory authority."[7] We further agree that "[t]he Commission has discretion to adopt an Alternative Portfolio methodology" and that "[t]he IRP and CEAP must use the SCGHG in certain cases."[8] After that, we disagree with the company's analysis.

PacifiCorp next argues that although "RCW 19.280.030 plainly requires the use of SCGHG in certain aspects of IRP and CEAP development … there is no statutory link between the Alternative Portfolio … and the IRP and CEAP … [n]or is there any hint in the statutes that the IRP and CEAP requirements should carry over to the CEIP."[9] In fact, there is a direct link between the CEIP and the IRP and CEAP: RCW 19.405.060(1)(b) requires that "a[n] investor-owned utility's clean energy implementation plan must: (i) Be informed by the investor-owned utility's clean energy action plan developed under RCW 19.280.030; ... and (iii) Identify specific actions to be taken by the investor-owned utility over the next four years,

[5] RCW 19.280.030(3).
[6] WAC 480-100-605.
[7] Petition at 6 (citing WAC 480-07-110).
[8] *Id.* at 7.
[9] *Id.* at 8.

consistent with the utility's long-range integrated resource plan."[10] Given that "[a]n electric utility *shall* consider the social cost of greenhouse gas emissions ... when developing integrated resource plans and clean energy action plans" under RCW 19.280.030, and that a utility's CEIP "must … [b]e informed by the investor-owned utility's clean energy action plan developed under RCW 19.280.030" under RCW 19.405.060, it seems like a stretch to claim that there is no "hint in the statutes that the IRP and CEAP requirements should carry over to the CEIP." The link is not a hint at all, but rather is a straightforward reading of CETA's plain language -- and therefore a provision that the Commission may not waive.

This leaves only PacifiCorp's concern about the apples-to-oranges nature of comparing "a CETA Portfolio developed without a SCGHG (P02-MM-CETA), to an Alternative Portfolio developed with the SCGHG (P02-CETA)." While we recognize that there are challenges associated with PacifiCorp's multi-state territory, we are confident that the company can arrive at a meaningful way of comparing a base portfolio that incorporates SCGHG with a CETA-compliant portfolio that also incorporates SCGHG. One such possibility is applying SCGHG post-dispatch to both PacifiCorp's CETA compliant portfolio and an otherwise-optimized portfolio that does not achieve CETA compliance. To the extent this approach raises concerns about appropriately allocating costs among states, we would be happy to work with the company and other stakeholders to figure out possible resolutions. Excluding SCGHG and waiving the Commission's rules, however, are neither legally appropriate nor in the public interest.[11]

For the foregoing reasons, Renewable Northwest recommends that the Commission deny PacifiCorp's Petition.

Respectfully submitted this 6th day of December, 2021,

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[10] PacifiCorp dismisses these references as "not germane to the incremental cost calculation." Petition at 8, n7.

[11] To the extent the Commission must determine whether PacifiCorp's waiver request is "consistent with the public interest," WAC 480-07-110, the legislature established in CETA "that Washington must address the impacts of climate change," that "climate change poses immediate significant threats to our economy, health, safety, and national security," and that "the public interest includes, but is not limited to: ... long-term and short-term public health, economic, and environmental benefits and the reduction of costs and risks" -- these considerations counsel against the company's requested waiver and in favor of a robust use of SCGHG.