

To: Staff and council members of the Washington UTC

I'm concerned about the lack of specificity regarding the new rules for the handling of risk, specifically the economic and environmental risks of greenhouse gas (GHG) emission. It is clear that the best decisions are made when those who make these decisions reap the benefits and suffer the consequences. Yet in the current regulatory model the utilities are free to set the future price of GHG emission at any level, believing that the UTC will allow them to pass on future costs to the rate payers. Currently we see IRPs with GHGs modeled at the absurdly low level of zero by one utility, while another wrestles with realistic models of possible future costs. I suggest two possible approaches to align authority and responsibility.

The first is that the UTC sets a GHG cost for the purpose of IRP modeling. This cost should be set at the predicted cost of mitigation or sequestration if done on a large scale. Since the representatives of the rate payers set the cost of GHG emission, rate payers would bare the cost of any future regulation. This added certainty would be very attractive to the utilities. It also would stop the building of new power plants that don't make sense in a carbon constrained future.

The opposite approach is to give utilities both the authority and the responsibility of modeling the cost of GHG emission. Whatever cost they set in the IRP is the maximum amount they will be allowed to pass on to rate payers when GHG controls are implemented. The rest will be born by the shareholders, not the rate payers. Again, since the risk could be devastating to the bottom line, the building of new power plants that don't make sense in a carbon constrained future won't get built.

Obviously if a utility modeled the future cost of carbon at \$100 a ton, had a IRP with just wind turbines and efficiency, and then built 10 large coal plants, there would be no free ride in either model. Adherence to the spirit of the IRP will be required to pass on any GHG costs to the rate payer.

For more details, you can read to pieces I wrote on this approach: <http://homepage.mac.com/andyds11/iblog/C138586614/E323299357/index.html> and <http://homepage.mac.com/andyds11/iblog/C138586614/E2094667174/index.html>.

Thank you for your time and consideration,

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