

1 PUBLIC RULEMAKING MEETING
2 BEFORE THE WASHINGTON STATE DEPARTMENT OF CTED
3 WSR 07-20-126

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4 RE: Initiative I-937

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6 DATE: November 14, 2007

7 TIME: 1:30 p.m.

8 PLACE: Conference Room, Concourse C, Spokane International
9 Airport, 9000 W. Airport Drive, Spokane, Washington

10

BEFORE: Washington State Department of CTED
11 Energy Policy Division

12 BY: Tony Usibelli, Assistant Director
Howard Schwartz, CTED/NWPCC staff
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1 MR. USIBELLI: Good afternoon. My name is Tony
2 Usibelli, I'm the director of the Energy Policy Division at
3 the Department of Community Trade and Economic Development.
4 I'm the presiding officer today at this hearing.

5 I call this hearing to order on November 14th,
6 2007, at 1:30 p.m.

7 This public hearing is held pursuant to the
8 Administrative Procedures Act, Chapter 3405, the Opening
9 Meetings Act, Chapter 4203, RCW, and CTED's enabling the
10 adoption of these rules pursuant to a second substitute
11 Senate Bill 6558, Chapter 247, Laws of 2006.

12 The purpose of this hearing to take public comment
13 on the adoption of the proposed rules creating a new
14 administrative code under Chapter 194-37. The preproposal
15 statement of inquiry is CR 101, was filed on January 24th,
16 2007, and published in the Washington State Register, Issue
17 07-03.

18 The notice of proposed rule making is CR 102, was
19 filed on October 3rd, 2007, and published in the Washington
20 State Register, Issue 07-22, on October 17th, 2007. It's the
21 department's intention to review and consider all comments
22 received prior to the November 16th, 2007, deadline for
23 comments, and to adopt rules December 31, 2007.

24 The hearing will consist of two parts. First
25 we'll provide a brief explanation of the proposal. Second we

1 will receive oral testimony. There are sign-in sheets in the
2 back, I think everybody saw those. I'd ask you if you
3 haven't signed it to please do so even if you don't wish to
4 testify. If you do wish to testify, please mark the sign-in
5 sheet accordingly, and I'll call on you individually in the
6 order that you signed in.

7 The hearing is being recorded and the transcript
8 will become part of the official rule-making file. I ask
9 that you keep your comments to about five minutes or less.
10 It doesn't look like we have a lot of people that will be
11 testifying so we may have some flexibility with that.

12 The hearing is intended to provide an opportunity
13 to receive your comments. It is not intended as an
14 interactive question-and-answer session. We will summarize
15 our responses to comments in a concise, explanatory statement
16 required at adoption.

17 I'd like to introduce Howard Schwartz with me
18 today, staff for me and also for the Northwest Power and
19 Conservation Council, and at this time we'll begin with a
20 brief summary of the proposed rules, and there are copies of
21 the rules available both on the back table and on our
22 website.

23 I think most of you know this, but by way of
24 background the rulemaking proposes to adopt rules to
25 facilitate the implementation of Chapter 19.285 RCW, the

1 Energy Independence Act, which codifies the November 2006
2 passage of Voter Initiative 937.

3 The statute directs the Department of Community,
4 Trade and Economic Development, CTED, to adopt rules that
5 apply to qualifying electric utilities that are not investor-
6 owned. The rules address the process, timelines and
7 documentation needed to ensure the proper implementation of
8 Chapter 19.285 RCW.

9 The rules include, but are not limited to, rules
10 associated with a qualifying utility's development of
11 conservation targets, a qualifying utility's decision to
12 pursue alternative compliance, and the format and content of
13 reports required in the statute.

14 I'll turn to Howard and ask him to provide a brief
15 summary of the rules, and then he will turn it back to me.

16 MR. SCHWARTZ: The draft rules are divided into
17 three main parts that follow the policy directives of the
18 statute. There is first a definition section which
19 incorporates the definitions found in the statute and adds a
20 few definitions that are unique to the rules.

21 Second, there are rules that delineate the
22 reporting requirements for conservation and efficiency. And
23 third, there are rules that delineate reporting requirements
24 for renewable energy.

25 The conservation requirements are in five

1 sections. Section 060 sets out the format for reporting
2 conservation achievements. Section 070 explains how to
3 compute conservation targets using methodologies consistent
4 with those of the Fifth Northwest Power Plant. Section 080
5 explains how to document conservation savings. Section 090
6 and 100 explain the additional documentation needed for
7 efficiency savings from distribution and production
8 efficiencies.

9 The renewable requirements are in 10 sections.
10 Sections 110 and 120 set forth the general procedures for
11 reporting and documenting the amount of renewable energy
12 required by utilities, while Section 130 explains the
13 specifics of reporting acquisitions of incremental
14 hydropower.

15 The last seven sections deal with documentation
16 required for meeting the cost caps contained in the statute.
17 Section 140 explains how to document compliance for no-load
18 growth utilities, and Section 150 to 200 set forth the
19 documentation necessary to demonstrate compliance that meet
20 the renewables targets through expenditures rather than
21 energy acquired.

22 MR. USIBELLI: Thank you, Howard.

23 I'll now open it up for public testimony. We have
24 a court reporter with us today. I'd ask you to please come
25 up to the front, speak clearly and loudly so that he can hear

1 your testimony. The court reporter may also ask you to
2 repeat a comment to make sure that he has an accurate
3 transcript.

4 Ray Grinberg, you didn't indicate on here. You
5 were not planning to testify, is that correct?

6 MR. GRINBERG: I am not planning to testify.
7 Thank you.

8 MR. USIBELLI: The first person that has indicated
9 they want to testify is Ann Gravatt.

10 And if you would state your name and address for
11 the record, please.

12 MS. GRAVATT: For the record my name is Ann
13 Gravatt. I'm the policy director with the Renewable
14 Northwest Project. Our address is 917 Southwest Oak Street,
15 Suite 303, in Portland, Oregon 97211.

16 I will very briefly make some final comments. You
17 have heard from a colleague of mine last Friday, and we will
18 also submit written comments this Friday. I want to thank
19 CTED for this opportunity to provide these final comments. I
20 have just two general final comments. One is an overall
21 general statement, one's more specific to the rules.

22 There has been some discussions with the rule
23 making about the comparison of the detail of the rules that
24 CTED has put forth. First is a potential lack of detail that
25 the Washington Utilities and Transportation Commission has

1 put forward, and I wanted to address that in that at this
2 point in the implementation process these two processes
3 diverge significantly from the perspective of a public
4 interest intervenor.

5 At the commission we know how enforcement and
6 compliance will work for the investor and utilities. There
7 are existing processes and opportunities for public
8 participation. Once CTED is finished with its rules that
9 process for the public utilities becomes slightly less
10 transparent from our perspective. We trust the auditor will
11 do its job to enforce these rules, but CTED needed to issue
12 very detailed rules so that the auditor had that map when it
13 goes to enforce the compliance with the rules, and so we
14 think that CTED has done that and we appreciate that.

15 In terms of what we will be saying in our written
16 comments and in terms of asking for any actual changes, the
17 cost cap section contains one final provision that we are
18 very concerned about related to the substitute resource. I
19 believe my colleague did testify to the point that we would
20 be requesting that Subsection D be deleted because of our
21 concern about how the forward price curb is already being
22 interpreted and potentially implemented.

23 We also think the final sentence of Subsection A
24 in that section can also be potentially interpreted to allow
25 a forward price curb, and so we'd also be asking that that

1 section be deleted, given the late date of this proceeding.

2 We don't think this prejudices the utilities. We
3 think there are other provisions that clearly explain how the
4 substitute resource can be implemented, and in the event that
5 they're wrong on resources again I think they can rely on
6 renewable energy credits as opposed to a forward price curb
7 as a substitute resource.

8 So thank you for the opportunity, and we look
9 forward to the conclusion of the process.

10 MR. USIBELLI: Thank you.

11 Kevin Nordt.

12 MR. NORDT: My name is Kevin Nordt. I am the
13 Director of Power Management at Grant County PUD. Our
14 address is P. O Box 878, Ephrata, Washington 98823.

15 I want to express my appreciation on behalf of
16 myself and Grant County PUD for the opportunity to comment
17 today.

18 As director of Power Management at Grant County my
19 job is to ensure our customers a save, reliable, and economic
20 power system. That is why I am particularly interested in
21 the rulemaking process here.

22 Grant County PUD firmly supports renewable energy
23 and has for over 50 years. Our two dams, Priest Rapids and
24 Wanapum, produce clean, renewable hydropower to energize
25 communities throughout the Northwest and help to integrate

1 wind resource throughout the Northwest.

2 Grant also purchases the output of two irrigation
3 system hydroprojects, and we are partners in the Nine Canyon
4 Wind Project. Looking forward, Grant has several other
5 renewable options under consideration. Grant has been an
6 active participant in 937 process along. We worked in both
7 the pre-election and post adoption periods.

8 Grant staff has worked constructively in the CTED
9 process to develop the rules for I-937, and you have our
10 comments on record. We are committed to meeting the
11 requirements of the Energy Independence Act. However, we do
12 believe that the rules outlining the steps we have to follow
13 to meet those requirements are overly prescriptive in some
14 areas.

15 Our main concern is that the rules as proposed to
16 date by CTED are overly prescriptive, particularly in the
17 area related to conservation. Grant PUD believes CTED has
18 exceeded its directive to contain its rulemaking to areas
19 concerning only process, timeline and documentation. In
20 Grant's view, the rules as proposed appear to interfere with
21 our ability to maintain local control.

22 Maintaining local community-based control over
23 utility services is the reason PUDs were created in the first
24 place. Our elected commission is directly responsible to the
25 voters in our service territory for their rates, services and

1 policies. It was Grant's understanding that this initiative
2 would preserve this right.

3 We are not trying to weaken the act or dodge our
4 responsibilities. However, we do need rules to be effective
5 and efficient. Our customers and the entire Washington
6 economy will live with the consequences. As much as
7 possible, the rules should recognize each utility's unique
8 situation.

9 Grant believes that CTED needs to recognize that
10 while the Northwest Council's plan is a good regional plan,
11 there is just that, a regional plan. The Council's plan does
12 not necessarily lend itself to simple proration, nor does it
13 address the individual impacts to regional parties.

14 It is quite possible to implement rules that are
15 consistent with the Council's plans while not strictly
16 adopting parameters from the plan. Moreover, the Council's
17 plan contemplates a dimension of risk, and risk tolerance is
18 a subjective measure.

19 CTED's rules must have enough flexibility to
20 acknowledge our differing circumstances, obstacles and
21 opportunities. Failure to do so reduces both Grant's and the
22 region's flexibility. In addition, it increases the chance
23 of stranded investment and adverse economic consequences.

24 In Grant's view, renewable energy must not only be
25 clean, it must be cost effective. We are currently seeing

1 more and more competition and product cost increases as
2 market pressures manifest as a result of a large scale
3 mandate to invest in new technologies like wind.

4 I have been in the power industry for quite a
5 while, and I can assure you that we will be seeking and
6 competing for the same resources and facing increased
7 operational risks as new technologies are rushed to
8 commercial operation.

9 The rules you put in place should facilitate our
10 efforts to meet the requirements of the Act and our future
11 energy needs economically. Penalties for noncompliance and
12 significant new paperwork and reporting requirements are not
13 the best way to encourage a clean and efficient energy
14 future, in my view.

15 Green power, like wind or photovoltaics, will be
16 an increasing part of our resource picture, but it does come
17 with one major drawback. Unlike hydropower, which can be
18 scheduled to meet peak demands and generate during times of
19 high energy use, green power is intermittent.

20 For example, wind power is only available about 30
21 percent of the time, and data has shown in the Northwest that
22 tends not to be during times of system peak loads. Without
23 firm backup, green power cannot be relied upon to serve
24 customer loads. Given the importance of hydropower to
25 integrating green power into Washington's energy portfolio,

1 we at Grant believe the hydro that is used to firm green
2 power should count as a renewable resource.

3 Getting more power from existing dams is a proven
4 winner at Grant, and in the region we are currently
5 installing our fourth advanced design turbine, and find that
6 they are 14 percent more efficient. For the same amount of
7 water through the same project, we've significantly increased
8 our generating capacity, and the design is good for fish that
9 pass our dams. We believe that the rules have taken a
10 reasonable approach to quantifying this incremental hydro.

11 In conclusion, we at Grant may have differing
12 views from others in the region on the details of I-937, but
13 in the end we all have the same goal - to provide an
14 efficient, clean and reliable and affordable energy future
15 for our communities. We thank you for your time and
16 consideration.

17 MR. USIBELLI: Thank you.

18 Linda, is it Greene?

19 MS. GREENE: Uh-hum.

20 My name is Linda Greene, and I live at 15313 East
21 Jacobs Road in Spokane, 99217.

22 I spent my days this summer of 2006 collecting
23 signatures on the petition to get I-937 on the ballot. I
24 spent my nights in the fall of 2006 calling people on the
25 phone and asking them to support Initiative 937.

12

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1 It's not easy to do that. I didn't do it for
2 money, I didn't get any money for it, and it wasn't fun
3 because I really don't like to talk to strangers and try to
4 convince them of something.

5 I did it because I believe strongly that global
6 warming is the most serious threat to life on earth that we
7 have ever faced, and that all of us, individuals,
8 corporations, and yes, even utility companies, have a
9 responsibility to do all that they can to reverse the
10 disastrous trend.

11 I drive a Prius, I pay a renewable energy
12 surcharge on my Inland Power and Light bill, I recycle, I
13 compost, my husband and I are going to install solar panels
14 on our home. I am not alone. There are hundreds of people
15 who worked on this initiative and thousands who are becoming
16 greener all the time.

17 My understanding of the rules drafted by the CTED
18 is that utility lobbyists have persuaded the CTED to create
19 such flexibility in meeting the initiative's conservation
20 standards that it substantially weakens what was intended by
21 the law. The utilities fought this initiative before it was
22 passed by the voters, and they are still doing it. Why can't
23 they and the CTED do the right thing and create rules that
24 actually reflect the will of the people?

25 The rules must be amended to accurately reflect

1 the true meaning of the initiative as it was approved by the
2 voters of this state.

3 MR. USIBELLI: Thank you.

4 Kris Mikkelson.

5 MS. MIKKELSON: Good afternoon. My name is Kris
6 Mikkelson, and I'm the CEO of Inland Power and Light at East
7 320 Second Avenue in Spokane, Washington.

8 Inland is a cooperative utility serving
9 approximately 37,000 members in 13 counties in Eastern
10 Washington and Northern Idaho with affordable, reliable, and
11 environmentally-sound electricity.

12 We appreciate the opportunity to provide these
13 comments on a subject critically important to Inland and the
14 other Washington consumer-owned utilities. Inland is a
15 qualified utility under the provisions of I-937. I want to
16 be clear that Inland is supportive of cost-effective
17 conservation and renewable energy resources. Inland will
18 supplement the provisions of I-937 in a most prudent and
19 cost-effective manner.

20 We have participated in numerous CTED workshops on
21 the proposed rules for implementing I-937. First I want to
22 indicate that we support the written comments of numerous
23 other consumer-owned utilities as conveyed in the November
24 16th, 2007, letter of Donald S. Cohen. Inland is also
25 separately submitting detailed written comments so I will

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1 keep my remarks today somewhat less formal.

2 I would like to start by commenting on the scope
3 of CTED's rulemaking authority. I-937 is clear that CTED
4 shall adopt rules concerning only process, timelines and
5 documentation to ensure proper implementation of I-937. It
6 is striking that CTED, which is limited by I-937 to adopting
7 rules concerning only process, timelines and documentation,
8 is proposing vastly more detailed and prescriptive rules than
9 is the WUTC which regulates investor-owned utilities.

10 Not only are the CTED proposed rules substantially
11 greater in length than those proposed by the WUTC, 8,100
12 words as compared to 3,200, or two-and-a-half times longer,
13 the CTED rules do not provide the reasonable flexibilities
14 afforded investor-owned utilities by the WUTC rules.

15 A one-size-fits-all approach simply does not work,
16 nor is required by the provisions of I-937. With less than
17 five customers per mile in a service area that is largely
18 remote and difficult to serve, Inland has unique features
19 that need to be factored in to determining the most efficient
20 way to achieve the conservation and renewable energy
21 objectives of I-937.

22 The rules must recognize the significant
23 differences that exist between utilities and the state.
24 Opportunities for cost-effective conservation, for example,
25 are much different in downtown Seattle than they are in

1 Pomeroy or Odessa, Washington.

2 The overly prescriptive approach employed in
3 CTED's proposed rules is counterproductive and will not
4 assist in the timely and cost-effective implementation of
5 I-937.

6 We would urge CTED to adopt an approach to its
7 rules when the rules establish one means of demonstrating
8 compliance, but not the exclusive means of demonstrating
9 compliance with I-937.

10 In addition to this overarching concern about
11 prescriptive rules, Inland has a number of additional
12 concerns, the most significant of which deal with issues
13 involving qualifying resources. Meeting the first renewable
14 energy target in 2012 will be relatively easy for most
15 utilities, but the nine percent goal by 2016 will be much
16 more difficult, and additional targets will become
17 increasingly hard to meet.

18 Unfortunately, CTED has drafted rules that will
19 make a challenging task under the best of circumstances, even
20 harder and certainly more expensive. In particular, CTED's
21 determination regarding federal hydroefficiency improvements
22 will be very detrimental to many of the state's ratepayers.

23 Federal dams supply much of the electricity in the
24 State of Washington. A number of hydroefficiency
25 improvements are scheduled to those dams in the coming years,

1 i.e., more electric from the same amount of water. Millions
2 of dollars will be invested in those improvements, and fish
3 will benefit as well as many of the improvements enhance fish
4 passage.

5 Inland Power and Light purchases 100 percent of
6 our electricity from the Bonneville Power Administration. As
7 a Bonneville customer we will pay for all of the costs
8 associated with these hydrosystem upgrades. I-937 has been
9 interpreted by CTED to exclude new energy produced from
10 existing federal dams. However, the very same improvements,
11 if done by state utilities with more than 25,000 consumers,
12 will count as renewable energy.

13 So Avista, for example, will get to count new
14 energy from their hydro improvements towards their I-937
15 target. Inland, and the 12 other Washington I-937 utilities
16 who purchase electricity from BPA, will not, and will in fact
17 be in the unenviable position of getting what amounts to a
18 double whammy. We will get to pay for the improvements, but
19 can't count them towards our RPS requirements. I would point
20 out that Oregon utilities will be glad to count that new BPA
21 energy towards their renewable portfolio standard.

22 Additionally, hydroefficiency improvements
23 undertaken by state utilities with less than 25,000 meters
24 don't count towards the RPS standard, either. Inland has
25 several utilities in its backyard that fall into this

1 category, and are planning hydro upgrades. They could be
2 natural partners for us with easy transmission access and
3 proximity to our service area, but the CTED rules preclude
4 these as qualifying resources as well.

5 Clearly this is public policy that begs the
6 question as to what consideration was given to developing
7 rules that take into account the impacts on Washington
8 ratepayers. The exclusion of federal and small
9 hydroefficiency improvements will simply raise the cost for
10 consumers and create a number of equity issues between
11 utilities.

12 We request that CTED modify its proposed rule to
13 permit hydroefficiency improvements to the dams of federal
14 and nonqualifying utilities to be treated as eligible
15 renewable resources.

16 Similarly, CTED has proposed a narrow
17 interpretation of I-937 regarding delivery of electricity for
18 renewable resources located outside the Pacific Northwest
19 into Washington. This imposes another unnecessary and
20 significant impediment to the acquisition and cost of
21 renewable resources.

22 Any artificial barrier to the development,
23 acquisition and use of renewable resources located outside
24 the Pacific Northwest is unwarranted and is unnecessarily
25 costly to Washington ratepayers.

1 The high capacity wind power, for example, in
2 Eastern Montana is of great value and should be available
3 without undue constraint to Washington ratepayers. Utilities
4 in other regions, including those in California, are not
5 constrained by delivery barriers in their acquisition of
6 renewable resources, and in fact are proceeding with
7 significant purchases of Pacific Northwest renewable energy.

8 Washington's qualified utilities should not be at
9 a competitive disadvantage in the acquisition of renewable
10 resources. We do not concur with CTED's interpretation, and
11 request that CTED modify its proposed rule to provide
12 sufficient delivery flexibility for renewable resources
13 located outside the Pacific Northwest.

14 I would now like to switch gears and talk for just
15 minute about reporting requirements. CTED is proposing to
16 require that qualified utilities have in place for any target
17 year a contract dated no later than January 1 of the target
18 year, and the estimated annual quantity of eligible renewable
19 resources or RECs.

20 We do not concur that this proposed CTED rule is
21 required by the provisions of I-937 or is necessary for the
22 implementation of RCW 19.285. The test for compliance with
23 I-937 is a qualifying utility's actual annual use of
24 electricity from eligible renewable resources or RECs during
25 the target year.

1 Simply stated, actual performance during the
2 target year with respect to energy from an eligible renewable
3 resource, or a REC, is the relevant standard, not a contract
4 in place at the beginning of the target year.

5 An additional area of concern has to do with the
6 use of renewable energy credits. CTED's proposed rule
7 indicates the utility may demonstrate that it acquired RECs
8 in the subsequent year to make up for any performance
9 deficiency and for nonmaterial underestimates in load
10 projections.

11 We do not concur that this proposed CTED rule is
12 required by the provisions of I-937, or is necessary for the
13 implementation of I-937. I-937 does not provide limitations
14 regarding the use of RECs from a subsequent year to bring a
15 qualified utility into compliance with the annual targets.

16 As stated plainly in I-937, the requirements of
17 this section may be met for any given year with renewable
18 energy credits produced during that year, the preceding year,
19 or the subsequent year. CTED's proposed rules is an
20 unnecessary and unwarranted limitation on the use of
21 subsequent year RECs. There is no provision in I-937
22 limiting the use of RECs to nonmaterial underestimates and
23 load projections as proposed by CTED.

24 While Inland has a number of other concerns
25 regarding I-937, I will now conclude my oral comments.

1 Importantly, we anticipate that CTED will respond in writing
2 to both the oral and written comments that Inland and others
3 are submitting regarding CTED's proposed rules.

4 Again, thank you for the opportunity to comment
5 this afternoon.

6 MR. USIBELLI: Thank you.

7 Chris Johnson.

8 MR. JOHNSON: I'll be a little bit more brief. We
9 will be following this up with a written for the November
10 16th date from our general manager, Jim Sanders.

11 My name is Chris Johnson. I'm the manager of
12 Products and Services from Benton PUD.

13 So again, thanks for letting us have this
14 opportunity to provide some oral comments. And the points
15 that I'm going to touch on are local control, and Benton
16 believes that I-937 when it was initially passed, that that
17 was focused on local control to the utilities, and not so
18 much a prescriptive path that's followed by the Northwest
19 Power Conservation Council, and we should be able to have the
20 opportunity to look as what's best into our local area with
21 our customers and adjust those methodologies accordingly.

22 The renewable side with the contract year being
23 the targets for the contract year, the contracts need to be
24 in place January 1 of each target year. In 19.285 it does
25 not indicate that that has to be in the first of the year.

21

1 The contracts can be any time. It's not that specific. So
2 long as you obtain the target you should be okay. So we
3 believe that portion should be deleted in the rulemaking.

4 The RECs make up subsequent years. I think you
5 just heard that from a similar comment from another utility
6 where the utility may demonstrate the acquired RECs in the
7 subsequent year to make up for any performance deficiency in
8 nonmaterial estimates for load projections.

9 That's contrary to what the 19.285 actually
10 indicates where it says you can do that in that year, the
11 preceding year, and the subsequent year. So we believe it
12 should be the same as in what the ruling should say.

13 And then in Regis, in the department selecting
14 Regis as the renewable energy tracking system for RECs,
15 that's a bit of a challenge when you get down to actually
16 looking at the contract and trying to enter into the contract
17 with Regis. It's very one-sided, and they basically have the
18 sole discretion at any time to change the contract without
19 any discussion.

20 And the disadvantage for the utility is when you
21 try to work with the staff at Regis to adopt those rules to
22 make it workable, and they're not too open to do that so then
23 we're faced with do you turn to a contract that's very risky,
24 or do you risk not doing that and then paying fines for not
25 being in compliance with the 937?

1 Liability is also a major concern with the Regis
2 contracts, and confidentiality protections. We believe that
3 if the State of Washington attorneys were to review that
4 contract themselves that they would also recommend not
5 entering into it as if they were the local utility themselves
6 so that is something that we believe they should review
7 themselves.

8 So again, these were in brief, but there will be
9 more in written form sent in on the 16th. Thank you.

10 MR. USIBELLI: Thank you.

11 Melissa Ahern.

12 MS. AHERN: Hi. My name is Melissa Ahern, I'm a
13 professor at Washington State University. I live in Spokane,
14 Washington. My address is 2425 West Pacific, Unit B.

15 I have studied global oil depletion now for about
16 six years, and am also the new director of the climate change
17 center that's being established. Co-founding members are
18 Mike Peterson, the CEO to Lands Council, and Ron Weed, the
19 CEO of Pacific CAD, a software firm that has software
20 relevant to green building.

21 I have in recent months spent some time looking at
22 the growing number of analyses that are available over the
23 nexus between climate change and oil depletion, and I feel
24 that the situation that we're in now on the globe and
25 relative to the U.S. domestic economy and the global

1 economies is very very troubling.

2 I do have a Ph.D. in economics, I have looked very
3 carefully at the studies, I have followed them for six years,
4 I have kept track of the data, and I feel that I know as well
5 as anyone out there in terms of all of the data and all of
6 the empirical studies that are out there about the situation
7 that we're moving into.

8 Basically all of the numbers that have been put
9 out relevant to the earlier IPCC report earlier this year on
10 climate change, and also the issue of global oil depletion,
11 peak global oil production, every analysis that's been out
12 there up until the last three or four months has been stated
13 on the optimistic side.

14 And on the issue of climate change, as an example,
15 what happened in 2007 was amazing relative to the arctic ice
16 sheet. The arctic ice sheet between 1979 and 2005 had
17 retreated an average of seven percent per decade, but in the
18 two years from September of 2005 to September of 2007 that
19 rate increased to more than 20 percent, and moreover, the
20 average thickness of the ice has declined by about half since
21 2001.

22 The melting of the arctic ice sheet is ensuing at
23 a much more rapid pace than previously understood, and at
24 this rate it is definitely possible, according to the
25 experts, that the arctic ice sheet could be completely liquid

1 in the summer by as early as 2013.

2 One of the things I have noticed about, in
3 discussions that ensue regarding climate change is that
4 everybody's got these goals about something by 2015.
5 Unfortunately, the positive feedback loops were not well
6 understood, and there were increasingly, understanding those
7 positive feedback loops, as an example, when you have less
8 reflection off of the ice sheets you have more sun absorbed
9 into the ocean, and there's an exponential function that
10 ensues such that the melting then proceeds at an exponential
11 function, in terms of an exponential function.

12 And we have never been able to study this before
13 because this has never happened before. This is the first
14 time that we were observing these data. And what they're
15 saying now, because of a growing understanding of how these
16 positive feedback loops are proceeding, that instead of
17 setting a cap of two degrees Celsius over preindustrial
18 levels, the cap should actually be set at .5 degrees
19 Celsius.

20 So the issue of climate change is that it's
21 urgent, it's ensuing much more rapidly, and this is
22 unfortunate. I understand the inertia involved in all of our
23 systems. I think that it's difficult to determine exactly
24 how to move forward, but we have to look at this and we have
25 to understand that these issues are critical and they're

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1 urgent now in a way that we didn't really understand until
2 just now.

3 Further, with global oil depletion, the numbers
4 that I saw averaged out over the experts that are looking at
5 global oil depletion to be right around 2015 up until
6 recently. Most of the experts that I know, the academics,
7 the people that are not funded by Exxon or Saudi Arabia, the
8 people that are doing independent analyses with the very best
9 data that are available, now the average is right around
10 2010, 2011.

11 And that's a real problem. It's even worse than
12 that, though, because there is something called peak
13 exportable oil, and as the countries that are exporters, net
14 exporters are understanding what the realities are about the
15 increasing decline rates for the fields that are performing
16 still, Cantrell in Mexico is a good example, third largest
17 field on the planet, that field now is in about a 15 percent
18 decline rate. That was unanticipated, unexpected. So some
19 of these decline rates are playing out in a way again that
20 wasn't expected.

21 So you have everyone looking at the data, you have
22 the net exporting countries already cutting back on what
23 they're willing to export. We have already got the sound
24 empirical signs of peak exportable oil.

25 That's a problem for the United States. It's a

1 problem because we import about 68 percent of the oil that we
2 use, and of our oil we use, 70 percent of that goes to
3 transportation, and we have a pretty inelastic demand because
4 we don't have a backup rail system. So that as we iterate in
5 terms of higher prices and we make substitutions that we can
6 make, at some point what's remaining is inelastic, and it's
7 the sprawl that we've got.

8 So it means that the first crisis probably that's
9 going to hit us starting right now is going to be a crisis of
10 liquid fuels. And what that means is that we are going to
11 have to start seriously thinking about electric
12 transportation, electric light rail, electric rail, and
13 that's why this issue here is so critical today.

14 We need to conserve as much as we can regarding
15 electricity. We need to do it for two reasons. One reason
16 is we don't want to have to fall back on coal. Without
17 carbon-capturing sequestration for coal, we will be in
18 serious trouble.

19 Coal produces a lot more CO2 than oil does, and if
20 we end up, for example, doing coal to liquids for our liquid
21 fuels when we don't have carbon-capturing storage, if we're
22 forced somehow to move over to coal for our electricity
23 and/or for liquid fuels, it's just going to exacerbate the
24 problem with CO2 that we already have, it's going to make it
25 even worse, and again the studies are showing that on the

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1 planet if we don't do carbon-capturing storage for coal, no
2 matter what else we do with CO2, it will undermine it.

3 It's a huge issue so we've got to know that our
4 electricity, we have to first of all engage in conservation
5 as much as we possibly can, and this information should be
6 put out to the public, and the public does understand this,
7 they have supported this initiative, and in my opinion in
8 view of all of the information that's out there regarding oil
9 depletion, the growing gap between demand and supply, and
10 climate change with new very troubling numbers and
11 understandings of how this is ensuing, I think it's
12 absolutely essential that we move aggressively in the
13 direction that this initiative was intended to move us into.

14 The loop should be closed, people should be
15 educated, and we should help the public and help our
16 legislators and help everyone, the utility companies,
17 understand how urgent these issues are. They are literally
18 at our doorstep.

19 Thank you.

20 MR. USIBELLI: Thank you.

21 Could you check to make sure--I think that door
22 locks, in case somebody is trying to get in.

23 Okay. Is there anyone else who wishes to
24 testify?

25 Okay. I'll remind folks that we will be accepting

1 written comments through this Friday, November 16th. If you
2 have written comments you should send them to Howard Schwartz
3 at P. O. Box 43173, or electronically, howards@cted.wa.gov,
4 or they can be delivered to 906 Columbia Street SW, 5th
5 floor, Olympia 98504.

6 Not seeing that anyone else is here to testify, I
7 will at this point go off the record, although we will leave
8 the hearing open until 3:30 if anyone comes in later. So at
9 this point we'll officially go off the record. Thank you.

10 (Discussion off the record.)

11 MR. USIBELLI: I will now officially close the
12 hearing.

13 (Hearing closed at 3:30 p.m.)

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1 STATE OF WASHINGTON)
2 COUNTY OF SPOKANE) ss: Reporter's Certificate

3 I, David Caviezel, a Certified Shorthand
4 Reporter/Notary Public (CSR No. CA-VI-ED-L521MD) in and for
5 the State of Washington;

6 DO HEREBY CERTIFY:

7 That the foregoing is a true and correct transcription
8 of my shorthand notes as taken upon the proceedings on the
9 date and at the time and place as shown on page one hereto;

10 Witness my hand and seal this 15th day of November,
11 2007.

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Notary Public in and for the State
of Washington, residing in Spokane

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