



Your Northwest renewables utility

September 30, 2016

Mr. Glenn Blackmon
Washington State Energy Office
1011 Plum Street SE
P.O. Box 42525
Olympia, WA 98504-2525

Subject: Comments on the Second Draft of Proposed Rule Amendments to
WAC 194-37-070

Dear Mr. Blackmon;

Snohomish PUD appreciates the opportunity to comment and participate in the rule making process on the proposed amendment to WAC 194-37-070 circulated by your office. After thorough review, we recommend a change that we consider significant.

In the circulated draft, section 5(c)(viii) currently reads:

“Include the social cost of carbon emissions from avoided non-conservation resources;”

As explained more fully below, Snohomish PUD believes that this language would improperly limit the calculation of carbon emissions and would not comply with current state law. Our proposal is to omit the term “social” or to change the draft language to the following:

“Include a range of costs for carbon emissions;”

RCW 19.285.040(1)(a) states “Nothing in the rule adopted under this subsection precludes a qualifying utility from using its utility specific conservation measures, values, and assumptions in identifying its achievable cost-effective conservation potential.” However, the current proposed language defines “social costs of carbon” as an assumption that utilities must use and prevents a utility from using “utility specific” assumptions. The PUD suggested language or some similar language that allows utilities to use their own assumptions would be more consistent with the statute.

Additionally, requiring a utility to use a single assumption of carbon costs is not consistent with the analysis in the 7th power plan. The council did not use a single carbon emission cost while developing the 7th power plan. The council established the economic potential for conservation by developing an efficient frontier of power plans across a variety of scenarios that included different assumptions on the cost of carbon. Requiring a utility to use a single assumption for carbon costs or carbon mitigation is inconsistent with the 7th power plan.

Lastly, forcing a utility to only use “social carbon” cost in its conservation assessment is not analytically sound.

In the same way that it would be inappropriate for the department to require a utility to use a specific power price forecast, or forecasting methodology, it is in appropriate for the department to force a utility to use the “social costs” of carbon as opposed to a range of costs that the utility estimates or forecasts.

Emission costs, like all other costs, should be a reflection of the cost born by the utility and its rate payers. Limiting the cost assumptions to only “social costs” may lead a utility to acquire conservation that is not cost effective to its rate payers if the “social costs” of carbon are a significant portion of the benefits or if the social costs or carbon are significantly higher than the actual costs of carbon borne by a utility and its ratepayers.

We wish to thank you and other Commerce staff for the work put into this rulemaking. You face the difficult task of balancing many strongly held opinions regarding how to best implement the Energy Independence Act. We appreciated the open and inclusive process used to develop these rules. Please contact me if you have any specific questions about our comments.

Sincerely,

/s Zac Yanez

Zacarias C Yanez
Power Analyst
Snohomish PUD #1