SNOHOMISH COUNTY PUD
PUBLIC UTILITY DISTRICT NO. 1

Your Northwest renewables utility

October 31, 2014

Steve Crow, Executive Director
Northwest Power and Conservation Council
851 S.W. Sixth Avenue, Suite 1100
Portland, Oregon 97204

Subject: Comments of Snohomish County PUD No. 1 on Proposed Methodology for Determining Quantifiable Environmental Costs and Benefits

Dear Mr. Crow;

Thank you for the opportunity to comment on the Proposed Methodology for Determining Quantifiable Environmental Costs and Benefits. Snohomish County PUD No. 1 (Snohomish PUD) appreciates the Council staff's outreach and dialogue in recent months and submits the following concerns and suggestions for consideration.

We encourage the Council to follow the same Environmental Methodology used in the Sixth Power Plan, which included exploring the effects of environmental cost and benefits through scenario analysis. We believe the Council can demonstrate the necessary due consideration in this way, modeling the range of impacts from regulatory uncertainties and externalities on the region's existing and future resource mix, both for demand-side and supply-side resources. Where the Council has identified additional areas, such as residual effects beyond regulatory controls, environmental effects that are not yet the subject of regulatory controls, and the effects of displacing other environmental activities that have environmental cost, these issues are best addressed by narrative description. With all due respect, we urge the Council to focus on the Northwest Power Act's requirements for a power plan, and not create an expanded role as an environmental agency.

For reference, Snohomish PUD's responses below are organized using the numbering convention in the Council's issue paper:

1. **Residual environmental effects beyond regulatory controls**

   a. **Snohomish PUD requests that the Council not include residual, unregulated environmental effects in its methodology** for the following reasons:

   - The appropriate regulatory body or bodies have determined that further regulation is not necessary to protect the public's interests, nor is the Council the appropriate body to develop or to reflect the types of choices that an appropriate regulatory body would develop;

- The Council should remain focused on resource planning, while establishing the societal costs of residual environmental effects should remain in the purview of the appropriate governing body of elected officials. There are already existing regulatory frameworks and processes that consider residual effects in place, with agencies charged with this purpose, including the development of new regulations, where appropriate.

- The Council should adhere to its existing method of relying on scenario analyses for exploring potential risks and impacts associated with unregulated environmental effects, such as carbon regulations; and

- Assigning environmental benefits and residual environmental costs, in the midst of existing regulatory uncertainties, will only serve to artificially inflate projected power costs. This could result in overstating the region's potential for acquiring new, cost-effective conservation resources.

b. Quantifying these types of costs and effects is not practical, because the Council would need to consider the residual effects for both supply-side and demand-side resources, equitably. **We do agree that methods exist to quantify certain of these environmental effects, but the ability to extend them to all supply-side resources and demand-side measures is not practicable, particularly given the amount of data and the extent of analysis that would be required.** We also believe that trying to quantify residual effects could disadvantage emerging technologies used in new products. Emerging technology waste streams and byproducts have not had the benefit of decades of public infrastructure development, so their disposal and mitigation strategies are not yet mature.

2. **<u>Environmental effects of resources not yet subject to regulatory control</u>**

Snohomish PUD urges the Council to formulate the Seventh Power Plan by quantifying the costs of existing environmental policies where direct costs and benefits are known. Where new environmental policies and regulations have not been formalized, we recommend the Council model the impact on resources under a range of scenarios. In this way, the Council avoids speculation on environmental regulations whose effects, and perhaps even magnitude, may or may not occur during the Power Plan's study period.

a. The Council should not quantify the costs of compliance with the proposed EPA 111(d) regulations. The actual implementation of EPA 111(d) requirements as to cost impacts and benefits, as well as their timing, are unknown. We recommend that the Council have staff model a range of carbon reduction levels associated with resources not yet subject to this regulation.

b. The Council should not develop their own approach to estimating the social cost of carbon in the absence of the states' regulation. The costs used in the Power Plan should reflect only utility-direct costs of emissions.

c. As with the Sixth Power Plan, scenario analyses remains the proper disposition for environmental costs of carbon in the Seventh Power Plan. Assigning additional speculative costs will inflate projected power and resource costs, resulting in an overstatement of the region's ability to acquire new cost-effective conservation resources.

d. The Council's approach should not artificially weight one scenario over others based on EPA 111(d) speculations, since that proposal contains many unknown elements, which could result in a wide variability of impacts to the region. As done for the Sixth Power Plan, the Council should employ a range of environmental cost assumptions across a large number of scenarios to ensure that the spectrum of all possible futures is properly contemplated.

e. See 2b above.

3. <u>Quantifiable environmental benefits</u>

a. No consensus exists that would allow for the quantification of environmental benefits to a broader degree for the resource cost estimates. See 3b, 3c, and 3d.

b. It is appropriate to quantify the environmental benefit of a new conservation measure ONLY when the benefit accrues to society and not to the individual, has a quantifiable value, and is directly attributable to the measure.

- An example of a directly quantifiable societal benefit is the water savings provided by a high-efficiency clothes washer.

- An example of a benefit which is not directly attributable to a measure is the reduction of wood smoke following the installation of a ductless heat pump in a home with a fireplace. This benefit is not directly attributable because the actual reduction in wood smoke would require an additional choice on the part of the customer to alter their consumption habits. It is an indirect benefit that is contingent upon a subsequent step. As such, it should be eliminated from further consideration.

- **We would caution that cost-effective energy efficiency measures be limited to those that reduce the electric power demand.** Incorporating other environmental benefits and costs could result in a scenario where utilities are required to achieve new energy efficiency savings that are not cost-effective for power benefits. The measures could end up passing the Total Resource Cost test (TRC) based on the strength of Non-Energy Benefits (NEBs).

An example of this is the ductless heat pump mentioned above when installed to reduce wood fuel. The measure would pass TRC largely on the strength of NEBs, but could increase electric power demand. While we agree the result may be socially desirable, **Snohomish PUD does not believe its ratepayers should be responsible for paying to fully acquire environmental change for the greater society; rather the costs for such programs or regulations should be borne by society as a whole.**

c. The resource costs for new non-carbon emitting resources should not include a quantified estimate of the value of the environmental benefits associated with replacing an existing fossil-fueled plant. The existing plant has been approved by the utility's respective governing authorities. Its early replacement with a new non-carbon emitting resource, absent decisions by governing authorities or newly imposed regulations, remains a decision made at the local level, likely when the new non-carbon emitting resource becomes advantaged.

d. The Council has already given due consideration by adding the 10% bonus to conservation, and by considering a wide range of future environmental externalities within its scenario modeling.

4. **Environmental effects of new renewable resources:**

Snohomish PUD appreciates the timely and important questions the Council has raised with regard to assessing and evaluating the environmental effects from new renewable resources.

a. The Council should treat renewable resources equitably with non-renewable supply-side and demand-side resources except as noted below.

b. N/A

c. The Council is not an environmental protection agency. **It is neither the responsibility, nor within the statutory authority of the Council to opine and assess the suitability of sites for terrestrial and aquatic energy projects, to prioritize possible future development sites, or to examine site-specific impacts to fish and wildlife.** These requirements reside with state and local authorities and agencies, and exceeds the scope and purpose of the Council's Power Plan. The role of state and local governance is to conduct such assessments as they relate to the siting and development of new resources. **Public processes and procedures are already in place for substantive review, project conditioning and mitigation, and comment by tribes and various stakeholder agencies.** A region-wide effort to duplicate the sometimes very site-specific assessment, analysis, and identification of mitigation measures that occurs elsewhere within the context of these above mentioned public processes, is not necessary for the Council, nor is it a wise use of Council resources.

d. **Snohomish PUD asserts that the Council can satisfy its obligation to consider the effects on the environment and fish and wildlife associated with the development of new renewable resources, and at the same time give due consideration in developing the Seventh Power Plan, by including a wide range of future environmental externalities through scenario modeling.** Scenarios ensure that the spectrum of all possible futures is contemplated. The range of values that the Council elects to include in these scenarios should be informed by the Council's engagement in regional dialogue and public commentary.

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Snohomish PUD appreciates the efforts of Council staff in developing this issue paper and for seeking input on quantifying environmental costs and benefits to inform the resource cost estimates in the Seventh Power Plan.

Sincerely,

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