

RESOLUTION 1306

A RESOLUTION OF THE BOARD OF COMMISSIONERS OF PUBLIC UTILITY DISTRICT NO. 1 OF FRANKLIN COUNTY

OPPOSING WASHINGTON STATE INITIATIVE MEASURE NO. 1631, THE PROTECT WASHINGTON ACT

WHEREAS, a citizens' group calling itself "Clean Air, Clean Energy", a coalition of environmental and labor organizations and Tribes, has gathered sufficient signatures to place Washington State Initiative Measure No. 1631 (the Initiative) on the November 2018 ballot; and

WHEREAS, the Board of Commissioners (the Commission) of the Public Utility District of Franklin County (the District) believes it has the responsibility of informing customers of the impacts of ballot measures related to the District's operations, costs, and retail rates, as well as broader impacts to Northwest electric power markets and grid reliability; and

WHEREAS, the State of Washington's (the State's) total electric sector carbon emissions, as a percentage of total emissions, are already one of the lowest in the nation largely due to carbon-free hydroelectric power; and

WHEREAS, using the State's latest published data, the District's 2016 fuel mix has been deemed to be over 93% carbon-free as determined by the State, most of which is generated by hydroelectric power provided through the Bonneville Power Administration (BPA); and

POLLUTION FEE

WHEREAS, the Initiative would impose an escalating pollution fee (the Fee) on the carbon emissions from the State's largest carbon emitters including electricity generated by fossil fuels from unknown sources that may or may not be generated from fossil fuels; and

WHEREAS, relative to the Fee, the Initiative requirements include but are not limited to:

- Beginning in January 2020, a \$15 fee per metric ton (PMT) of carbon dioxide emissions will be assessed on the State's largest carbon emitters, increasing each year by \$2 PMT plus inflation;
- Once the State's 2035 greenhouse gas reduction goal is met the Fee will be fixed and only increase with inflation;
- The Fee owed by a large emitter may be assumed by a light and power business (Utilities) when it purchases electricity from a large emitter;
- The Department of Ecology, in consultation with the Department of Revenue, must adopt rules specifying the basis for the carbon content inherent in or associated with covered fossil fuels and electricity;
- For the generation or import of electricity from an unspecified source, the Department of Ecology, in consultation with the Department of Commerce, must select a default emission factor that maximizes the incentive for Utilities to specify power sources without also unduly burdening the ability to purchase electricity from the market;
- For power generated or imported by BPA, the Department of Ecology must publish a default emissions factor for sales into the State; and

WHEREAS, given that the Initiative lacks specificity as to the carbon content and default emission factors which are yet to be determined by State agencies, the District has developed a set of reasonable assumptions to analyze the Initiative's potential impacts on District retail rates in the following Fee impact areas:

- BPA purchases
- Market purchases (both specified and unspecified as to their source)
- Frederickson Combined Cycle Combustion Turbine operations

Offset by:

- Increased revenue from higher wholesale market prices, if from a clean resource such as hydropower (BPA & District)

WHEREAS, based on the District's assumptions and analysis, the collective increase to District costs attributed to this Initiative is estimated to range between \$700,000 and \$1 million annually, representing an increase of approximately 1% or more each year to the District's retail rates; and

COMPLEXITY & EROSION OF LOCAL CONTROL

WHEREAS, the Initiative also provides for the creation of a 15-member Public Oversight Board (the Board) to implement the requirements of the Initiative with all positions appointed by the Governor, with no dedicated utility representation, in addition to a number of Investment Advisory panels and consultation requirements; and

WHEREAS, under the Initiative, a qualifying utility may claim credits for up to one hundred percent of the pollution fees for which it is liable provided that it has developed a clean energy investment plan (the Plan) that meets specific requirements that include but are not limited to:

- The Plan must be approved by the Department of Commerce and developed in meaningful collaboration with the Board and panels;
- Investments authorized under the Plan are limited to eligible investments specified by the Initiative;
- Expenditures are in addition to existing programs and expenditures necessary to meet emission reduction or conservation requirements;
- The Plan describes a long-term strategy to eliminate any fee obligation imposed by the Initiative on electricity and minimize any fee obligation on natural gas;
- The Plan must be updated and approved every two years; and

WHEREAS, the requirements to claim credits for pollution fees are extremely onerous and clearly erode the principle of "local control", valued by all public power utilities, by requiring the utility's locally-elected board to consult with the Board and panels, as well as obtain approval from Department of Commerce, which may not represent the values and interests of local citizens; and

NATURAL GAS & ELECTRIC SYSTEM RELIABILITY

WHEREAS, the District, is following the Pacific Northwest Low Carbon Scenario Analysis Study (the E3 Study) conducted by the consulting firm Energy & Environmental Economics (E3), in an effort to find a least-cost path to de-carbonization of the electric sector; and

WHEREAS, the E3 Study concluded *"The most cost-effective opportunity for reducing carbon in the Northwest is to displace existing coal generation with a combination of energy efficiency, renewables and natural gas."* as well as *"Prohibiting the construction of new natural gas generation results in significant additional cost to Northwest ratepayers without a significant greenhouse gas reduction benefit.";* and

WHEREAS, the District believes that there remains an important role for natural gas in the Pacific Northwest in order to maintain electric system reliability, which appears contrary to the requirements and goals of the Initiative; and

UNINTENDED CONSEQUENCES & PANCAKING

WHEREAS, the District believes that there are unanswered questions pertaining to the requirements of the Initiative which could lead to unintended consequences of the Initiative, much like buying before need which arose from State Initiative Measure No. 937 (I-937), has impacted District customers; and

WHEREAS, the District is extremely concerned with the "pancaking" effects of multiple legislative and regulatory requirements including this Initiative, I-937, and other carbon-reduction and 100% clean energy legislative proposals expected to be introduced in the 2019 legislative session; and

SUMMARY & CONCLUSION

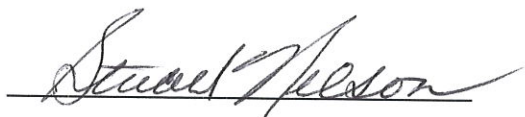
WHEREAS, the Commission believes that, if voted into law, the Initiative would increase costs to District customers, erode the principle of "local control", and unnecessarily phase out clean, reliable natural gas without consideration for electric system reliability; and

WHEREAS, the Commission further believes that the District should take a formal position with respect to the Initiative to better inform its customers of the potential impacts if voted into law, and to advocate the official District position, to the extent permitted under RCW 42.17A; and

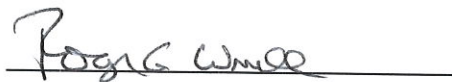
WHEREAS, on August 28, 2018, an open meeting of the Commission was held wherein proponents and opponents of this Resolution were given an approximately equal opportunity to express views; now therefore

BE IT RESOLVED that the Board of Commissioners of the Public Utility District of Franklin County hereby declares its opposition to the Washington State Initiative Measure No. 1631, "The Protect Washington Act".


ADOPTED by the Board of Commissioners of Public Utility District No. 1 of Franklin County, Washington at an open public meeting this 28th day of August 2018.



Stuart Nelson, President



Roger Wright, Vice President



William Gordon, Secretary