

**FOR COMMISSION CONSIDERATION**

Resolution No. 2473

September 11, 2018

**A RESOLUTION OF THE COMMISSION  
OF PUBLIC UTILITY DISTRICT NO. 1 OF BENTON COUNTY, WASHINGTON ("THE DISTRICT OR  
BENTON PUD") OPPOSING WASHINGTON STATE INITIATIVE MEASURE  
NO. 1631, THE PROTECT WASHINGTON ACT**

**INTRODUCTION**

WHEREAS, Sufficient signatures have been gathered to place Washington State Initiative Measure No. 1631 (Initiative) on the November 2018 ballot; AND

WHEREAS, In accordance with RCW 42.17A.555, the Commission of Benton PUD may take action at an open public meeting, to express a collective decision, or to actually vote upon a motion, proposal, resolution, etc. to support or oppose a ballot proposition so long as any required notice of the meeting includes the title and number of the ballot proposition and members of the legislative body, members of the board, council, or commission of the special purpose district, or members of the public are afforded an approximately equal opportunity for the expression of an opposing view; AND

WHEREAS, The Commission of Benton PUD believes it has the responsibility of informing customers of the impacts of ballot measures as they relate to the District's operations, costs, and retail rates, as well as broader impacts that affect the District including Northwest electric power markets and grid reliability as described in the following areas; AND

**EMISSION REDUCTION TARGETS**

WHEREAS, The Initiative requires investment plans that will efficiently and effectively reduce the state's carbon emissions across multiple economic sectors within the State from 2018 levels by a minimum of twenty million metric tons by 2035 and a minimum of fifty million metric tons by 2050 while creating economic, environmental, and health benefits; AND

WHEREAS, the Initiative's target reductions for emissions pertain to multiple economic sectors taken as a whole, but the target for the electric sector does not appear to be specifically defined; AND

WHEREAS, carbon emissions within the electric sector can swing significantly from one year to the next depending upon whether any given year's hydro generation is above average or below average. As such, setting target reductions based on any single year may result in significant differences that those based on average electric sector emissions over a multiple year period; AND

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WHEREAS, based on data provided by the U.S. Energy Information Administration for 2015, the latest information available, the electric sector accounts for only 14% of the overall greenhouse gas emissions in Washington State (State) and is already on a trajectory to substantially reduce emissions due to the planned closures of coal facilities; AND

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

WHEREAS, using the State's latest published data, the District's 2016 fuel mix as deemed by the State is nearly 92% carbon-free, most of which is generated by renewable hydroelectric power provided through the Bonneville Power Administration (BPA); AND

**POLLUTION FEE**

WHEREAS, the Initiative imposes an escalating pollution fee (Fee) on and must be collected from large emitters across multiple-economic sectors based on the carbon content of:

- (a) Fossil fuels sold or used within this state; and
- (b) Electricity generated within or imported for consumption in the state.

WHEREAS, exemptions to the pollution fee include, but are not limited to: coal transition power (Transalta), coal closure facility (Colstrip units 1&2), aviation and maritime fuels, fuel for agricultural purposes by farm fuel users, fossil fuels and electricity sold to and used onsite by facilities with a primary activity that falls into an energy-intensive trade-exposed (EITE) sector; 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 by \$2 PMT plus inflation each year;
- The Fee will be fixed and only increase with inflation once the state's 2035 greenhouse gas reduction goal is met;
- The Fee owed by a large emitter may be assumed by a light and power business when it purchases electricity from the 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 light and power businesses (Utilities) to specify power sources without also unduly burdening the ability to purchase electricity from the market;

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- 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 costs and retail rates in the following Fee impact areas:

- BPA market purchases
- District market purchases (both specified and unspecified as to their source)
- Frederickson Combined Cycle Combustion Turbine operations  
Offset by:
- Increased revenue for BPA & the District resulting from higher wholesale market prices

WHEREAS, based on the District's assumptions and analysis, between 2020-2022, the collective increase to District costs attributed to this Initiative is estimated to range between \$3.0 million and \$6.9 million for the three years, representing an increase of approximately 1% to 2% to District's retail rates which is in addition to past and current cost pressures associated with BPA wholesale rates and State Initiative Measure No. 937 (Initiative 937); AND

**CLEAN ENERGY INVESTMENT PLAN**

WHEREAS, the Initiative also provides for the creation of a fifteen member Public Oversight Board (Board) to implement the requirements of the Initiative with all positions appointed by the Governor with no dedicated utility representation, in addition to consultation requirements with three Investment Advisory panels and other stakeholders; 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 (CEIP) that meets specific requirements that include but are not limited to:

- The CEIP must be approved by the Department of Commerce and developed in meaningful collaboration with the Board and panels;
- Investments are limited to eligible programs, activities, or projects;
- Expenditures are in addition to existing programs and expenditures necessary to meet emission reduction or conservation requirements;
- The CEIP 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 CEIP must be updated and approved every two years; AND

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

**NATURAL GAS & ELECTRIC SYSTEM RELIABILITY**

WHEREAS, to gain approval, the CEIP must describe a long-term strategy to eliminate any fee obligation on electricity and minimize any fee obligation on natural gas; AND

WHEREAS, the District interprets this provision as a means to remove natural gas resources from the District’s power supply portfolio in the future in order to gain approval of the CEIP and access to utility retained funds; AND

WHEREAS, natural gas remains a low cost resource that is less than half the carbon emissions of coal per MWh, and many natural gas plants have operating characteristics that provide system capacity value and enable rapid ramp times to quickly respond to sudden increases in customer loads and/or decreases in other generating resources thereby enhancing system reliability; AND

WHEREAS, the CEIP requirement to eliminate natural gas resources from power supply portfolios does not align with the “lowest reasonable cost” criterion required by state mandated Integrated Resource Planning (IRP); AND

WHEREAS, the disconnect between CEIP and IRP requirements increases the likelihood a utility would be unable to gain CEIP approval and therefore would forfeit the ability to claim credits for pollution fees paid; AND

WHEREAS, the District, in collaboration with the Public Generating Pool and the consulting firm Energy & Environmental Economics (E3) , sponsored the Pacific Northwest Low Carbon Scenario Analysis Study (E3 Study) in an effort to inform the public and legislators as to the least-cost path to de-carbonization of the electric sector; AND

WHEREAS, the E3 Study found that a form of carbon pricing is the least-cost path to de-carbonization; however, it goes on to state that “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

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WHEREAS, a portion of BPA's power and the District's power is obtained from power market purchases necessary for the cost effective and reliable balancing of generation resources and customer loads which requires supplemental energy and capacity from the market at critical periods, including energy provided by natural gas; AND

WHEREAS, the District believes that, with anticipated closures of coal facilities, there remains an important role for natural gas in the Pacific Northwest in order to maintain electric system reliability, which appears contrary to the goals of the Initiative; AND

**EFFECTS OF MULTIPLE MANDATES**

WHEREAS, the District believes that there are unanswered questions pertaining to the requirements of the Initiative including but not limited to the unintended consequences of the Initiative much like the impacts on District customers arising from Initiative 937; AND

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

**SUMMARY & POSITION**

WHEREAS, the Commission believes that, if voted into law, the Initiative would increase costs to District customers despite a 92% carbon-free portfolio, erode the principle of "local control", and unnecessarily provide disincentives to natural gas generation thereby increasing costs 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 on District operations, costs, and electric sector reliability, if voted into law, and to advocate the official District position, to the extent permitted under RCW 42.17A; AND

WHEREAS, on September 5, 2018 public notice of the public hearing on the Initiative was published in the Tri-City Herald and Prosser Record Bulletin, and a news release was distributed on September 6, 2018 to local radio stations and news media; AND

WHEREAS, on September 11, 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 Commission hereby declares its opposition to the Initiative.

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APPROVED AND ADOPTED by the Commission of Public Utility District No. 1 of Benton County, Washington at an open public meeting as required by law this 11th day of September 2018.

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Barry Bush, President

ATTEST:

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Lori Kays-Sanders, Secretary

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