Seattle City Light
Integrated Resource Plan Stakeholders

July 18, 2012

Honorable Sally Clark
President
Seattle City Council
City Hall, 2nd Floor

Honorable Mike O'Brien
Chair
Energy & Environment Committee
City Hall, 2nd Floor

Dear Council President Clark and Committee Chair O'Brien:

As members of the 2012 Integrated Resource Plan (IRP) Stakeholders, we would like to offer our support for the proposed 2012 Integrated Resource Plan. The undersigned IRP Stakeholders recommend the "Renewables: Base Conservation" resource portfolio being proposed by City Light. Among the options considered and analyzed by City Light, this option best supports the utility's 2013 – 2018 Strategic Plan and the City's existing policy to meet load growth with energy efficiency and renewable resources. The strategy pursues the accelerated, cost-effective conservation in the "High Conservation" plan from the 2010 IRP, as approved by the Mayor and City Council, at a pace that exceeds that required by Initiative 937, the Energy Independence Act. It also proactively acquires renewable energy credits for purposes of low cost compliance with Initiative 937, the Energy Independence Act.

The 2012 IRP Stakeholders did not easily reach consensus on a preferred resource portfolio. Each of the top three candidate portfolios had advantages and disadvantages. City Light's original analysis of eight candidate resource portfolios identified the "Wind & Gas" portfolio as the top performer for cost and risk. Some Stakeholders preferred the "Wind & Gas" portfolio as the lowest cost option – costs that include offsets for carbon emissions resulting from natural gas generation. Other Stakeholders, however, could not support this portfolio citing concerns such as the incompatibility of natural gas greenhouse emissions with City environmental objectives and Council resolution 30144, long-run price volatility and supply of natural gas, the future cost and availability of CO_2 offsets, the impacts to land and water from hydraulic fracturing of shale, and natural gas pipeline capacity constraints and reliability.

The "Renewables: Higher Conservation" portfolio would further increase City Light's conservation efforts, beginning in 2013. There is continued strong support for conservation among the IRP Stakeholders, recognizing that conservation is the least-cost resource, can be scaled as needed and offers greater long-term cost certainty. Compared with other resources, it keeps a larger share of City expenditures within the Seattle area, providing jobs and other positive economic impacts. Stakeholders, however, expressed concern that to fund additional conservation, this option would require raising rates in 2013-18 beyond what is assumed in City Light's Strategic Plan Preferred Option. Further, the wholesale market value of surplus energy is projected to remain very low for the next few years, diminishing the short-term benefit of surplus conserved energy.

The recommended option, "Renewables: Base Conservation" includes 14 average megawatts of conservation annually, a 100 percent increase over pre-2008 levels. The portfolio is consistent with City policy and Council resolution 30144, which states that City Light should "use cost-effective energy efficiency and renewable resources to meet as much load growth as possible," as part of Seattle's goal to meet power needs with net zero greenhouse gas emissions. The plan results in no incremental rate impacts for nearly a decade, since it continues to pursue an accelerated conservation plan that is currently budgeted. This portfolio is nearly the same as "Wind & Gas" until 2020, but contains only conservation and renewable resources. It is consistent with the Seattle City Light Strategic Plan preferred option, "Strategic Investments."

In recent weeks, national economic data is indicating that the U.S. economy is again slowing and concerns are again rising about a stalled economic recovery. No irreversible decisions are made in selecting "Renewables: Base Conservation" portfolio. Choosing the recommended portfolio allows the utility time to evaluate whether:

- the economic recovery produces load growth at the forecasted levels;
- shale gas results in growing natural gas supplies and stable pricing without damaging the environment;
- wholesale power market prices rise as expected to make reselling conserved energy more cost-effective in the short-term.

In two years, City Light will update its IRP when it must again consider these issues by which time it will have better information to evaluate its long-term resource options. In the meantime, our recommendation is for the utility to stay the course on the accelerated conservation strategy established in the 2010 IRP by pursuing the "Renewables: Base Conservation" as its 2012 Integrated Resource Plan.

Sincerely,

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