

Climate Impact Advisory Committee
FINAL Meeting Minutes

Date: August 6th, 2020
Location: Zoom



QUORUM	Y
Members Present	
Kaylee Galloway	X
Treva Coe	
Phil Thompson	X
Ellyn Murphy	X
John Yakawich	X
Katherine Kissinger	X
David Kershner	X
Cynthia Mitchell	X
STAFF Chris Elder	X

1) Meeting Began at 5:34 PM

Meeting began with roll call of CIAC members

Public in attendance:

- Jim Lazar
- Carryn Vande Griend, PSE
- Eddy Ury, ReSources
- Atul Deshmane, Public Utility Commissioner
- Dave Hostetler, Citizen
- Adrienne Hegedus, Port of Bellingham

2) Review and Approval of Agenda & Minutes

Dave motioned to approve the minutes

Phil seconded

Motion passed

3) Public Comment

Eddy had a public comment about the Cherry Point amendments process moving to the final stage. Eddy also offered to give a presentation during the October meeting.

Phil asked about some resources Eddy mentioned in his comment, and Eddy Posted them in the Zoom chat:

<https://whatcomcounty.us/1660/Planning-Commission-Meeting-Materials>

<https://www.whatcomcounty.us/2849/Cherry-Point-Amendments>

https://zoom.us/webinar/register/WN_xfMyt4e6Q7CF70W9MhEUuA

4) Pathway to Public Power Presentation

By: Jim Lazar

Slide 3: Four alternative utility options for Whatcom County.

Slide 4: WA has 54 electric utilities throughout the state. Three utilities are privately owned: PSE, PacifiCorp, and Avista Energy. Public utilities serve more than half of the power and private utilities serve more than half the people. PUD's sell more power because they serve a lot of forest product and food processing companies (as well as "cloud server farms" for large tech companies in eastern WA).

Slides 5&6: Public Utilities are cleaner and cheaper because most of their power comes from BPA which is mostly hydroelectric. PUD rates tend to be 10-15% cheaper than PSE, which is the most expensive.

Slide 7: Delivery costs for public and private power companies is roughly the same ~\$0.05/kWh. PSE's average cost of power is around 6 cents/kWh, while PUD's is ~4 cents/kWh from BPA. PUD's also buy power from other sources that can be in their fuel mix, but usually get about 90% of their power from BPA.

Slide 8 comparing fuel mixes of PSE vs BPA: Sometimes in the spring there is excess hydro for sale. The pie wedges for system and non-firm contracts don't say fossil fuel, but they mainly are. The bottom line in this comparison of fuel mixes; however, is that PSE emission factor for 2017 is 1,074 CO₂ lbs/MWh versus BPA emission factor of 43 CO₂e.

Slide 9: PSE has a large gap to fill in response to rising need in the coming years. Top line is the total expected load and how PSE plans to fill that power need. Going out beyond 2035, PSE source of power is unspecified for about 2/3's of its projected need. If they don't acquire additional generating, then the needs will have to come from market purchases. The mix will change from market purchases being primarily fossil, but we don't know how much. PSE can seek waivers in they are able to make the case that they need fossil fuels in order to maintain reliability. As of right now they have not stated how their gap will be filled because they have not made those arrangements.

Jim said for reliability purposes a locally controlled utility that has the ability to secure a power supply that is not as dependent on market purchases would be better. The county may want to consider a utility that has a more certain power supply.

Slide 10: PSE produced 15x more carbon on a per customer basis than the BPA full-requirements utilities.

Slide 11: PSE has franchise contracts with cities and counties that allow PSE to have wires over/under roads, etc. These franchise contracts do expire and gov't entities can use these

contracts to influence PSE to make changes – underground lines for more reliability, or a different energy mix, etc..

Slide 12: Municipalization could be an important option to consider. MUD's have the best low-cost programs for low income customers. MUD's are also able to integrate their energy plans and commonly have the best community service. PUD's cannot provide natural gas service but MUD's can provide both electricity and natural gas services. The financial advantages of public utilities is significant – no Federal income tax, non-profit status, tax-exempt bonds after ~10 yrs. Cities can spread their overhead costs using city attorney, public works staff, etc. Disadvantage is that there is fewer economies of scale – e.g., Bellingham is much smaller than PSE as a whole. Also MUDs have slightly higher employee costs due to benefits like pensions, healthcare, etc.

Slide 13: Forming a municipal utility: requires city council vote and public vote to authorize service. There needs to be an appraisal of the system, then an offer to buy the system. You can secure property through Eminent Domain Action, which usually means going to court or litigation. This is a difficult multiyear strategy.

Slide 14: Ellensburg is a Municipal gas and electric utility. It's a college town and smaller than Bellingham. They would be good to reach out to for those considering public power for Bellingham.

Slide 15: Cooperatives: can provide electric service in any area. Board elected by customers. Orcas power and light is a cooperative. These are not public agencies. They set their own rates, not subject to state utility commission, not subject to public meetings law, etc.

Slide 16: Forming a Co-op: no vote from city council or public. Form a non-profit, solicit customers, build distribution system or use existing system, acquire power from BPA. PSE is required to provide transmission service. Co-op's don't have power of eminent domain.

Slide 18: PUD can be activated to serve a broader area. Most plausible course for Whatcom County because we have PUD #1 that already is an electricity provider and rural areas are costly for private companies like PSE to service (lots of lines, fewer paying customers). Does not require a vote of the public to make this change.

Slide 19: Jim gave some resources that people can check out for additional information of public utility districts, cooperatives, and municipals:

- PUD's: **Washington PUD Association**
- Co-op's: **National Rural Electric Cooperatives Association**
- Municipals: **American Public Power Association**

Q&A Session:

Phil: Does BPA have excess hydro capacity?

Jim: BPA has a finite amount of hydro, but not fully subscribed. BPA has about 250MW in reserve for new public utilities. New utilities are treated just like existing utilities in that they get the same piece of the pie for energy mix. So as new public utilities form, the amount of hydro goes down equally.

Remember that utilities in WA have to get at least 9% of their power from renewables and the hydro power from BPA doesn't qualify. So, the demand for hydro by public utilities is going down as they try to get at least 9% of their power from qualified renewable sources. Simple answer is that BPA has enough hydro and nuclear to serve new public utilities.

Phil: Does the UTC do any refereeing on service territories when a new PUD forms?

Jim: There are no state assigned utility service territories in WA. Nothing stopping private citizens from forming a coop as an example to sell power in competition with an established utility. WA allows more competition in utilities than many states.

Jim – more on process: A Jury through eminent domain action ultimately decides on the purchase amount somewhere between the private utilities estimate vs the public estimate. Settlements usually occurs before the end of jury trial and ends up with a price 1.4 to 1.7 of the "book price" e.g. the accounting price. So, Jefferson County paid about twice as much by not going through the eminent domain route or 3 times the estimate value, which is why their cost of power is currently higher than PSE's. Jefferson county is an expensive rural county and PSE did not serve gas there, so PSE was probably fine with selling this part of their business. Whatcom county is similar to Jefferson County in this respect. Expensive rural lines with few customers.

Cynthia referred to the big gap PSE has to fill on Slide 9. She asked "Would it be cheaper for municipal to buy out PSE now before they load up with more expensive resources like natural gas?"

Jim: Market prices can fluctuate widely. Both natural gas and relying on market prices can be very expensive. PSE appears to be taking this chance. From a financial standpoint, partnering with a power company that owns its own resources is much more attractive than a power company that would rely on the market prices. BPA owns their resources, so will be the cheaper option in the long run.

Jim cannot rule out the possibility that wind and solar become so cheap in the future that PSE can buy these resources on the open market and be very competitive with BPA. Jim doesn't know any serious analyst that thinks this will happen.

Jim also doesn't think that PSE can use the CETA off ramp to argue reliability. Wind and solar plus storage are very competitive price wise and reliable. Thinks it will be hard for a utility to argue a price-driven case for getting a waiver from UTC on the renewable requirements under

CETA. Ultimately depends who the governor is and the composition of the commissioners the governor appoints.

Dave: Regarding Orcas Power and Light – did they have to purchase distribution or did they develop that?

Jim: OPL is a very unusual system in that they have underwater cables that deliver electricity to the various islands. Customers are largely seasonal. On average, the power costs are very similar to PSE, but OPL is also a much more expensive system to run than any other utility in the state. OPL's power supply costs are much lower than PSE, but their delivery costs are high. Jim doesn't know if there has ever been a private utility operating in the San Juan Island – not familiar with the history.

Jim provided his contact info for anyone to reach him with follow up questions.

Jim@jimlazar.com; 360 -786-1822

5) Discussion of Committee Membership Vacancies

Ellyn said she would send a note to the County Council explaining the areas of expertise needed for CIAC and ask that they consider keeping the application period open in September so they will have a good number of qualified applicants.

Phil said he has been reaching out to faculty members from WWU

6) Work Group Updates

Transportation: Phil said they have been making progress on their list of actions/ measures that have been taken by counties and cities across the county. Organizing them by how they fit into the strategies. Atul has been invited to the transportation meetings. Phil said they would probably not be ready to present next month

Natural Resources: Chris has been refining the list of strategies and actions.

Renewable Energy and Buildings: Cynthia said no additional update to what she presented in July.

Communication & Community Engagement: Ellyn mentioned more about the communication outreach and videos. An email was sent out before the meeting showing a couple short, entertaining, educational videos that CIAC may be able to use.

Ellyn also mentioned that an outline has been started for the Climate Action Plan. Dave offered a goal of having the intro to the plan done by the next meeting.

Phil asked about the report writing phase and if there would be a template for each section that the individual committees will offer. Ellyn responded the intent of the outline is to provide guidance on content, but it is something the committee should review and discuss at our September meeting.

7) Next Meeting Discussion Topics

Kaylee said she is willing to give a legislative update in the September meeting, which Ellyn responded we will plan on.

Phil talked about the report writing and establishing a definition for the purposes of our report as to what renewable means.

Ellyn asked for committee members to consider taking on the role of vice chair.

8) Meeting Adjourned at 6:58 PM.

Recorded By: Katherine Kissinger
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