Seattle City Light

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July 2, 2018

Honorable Jenny A. Durkan, Mayor
City of Seattle
City Hall, Seventh Floor

Honorable Bruce Harrell, President
Seattle City Council
City Hall, Second Floor

Honorable Teresa Mosqueda, Chair
Housing, Health, Energy & Workers' Rights Committee
City Hall, Second Floor

Dear Mayor Durkan, Council President Harrell and Council Committee Chair Mosqueda,

As members of the 2018 Integrated Resource Plan (IRP) Stakeholders Committee, we would like to offer our support for the action going forward in the attached Executive Summary of the 2018 IRP Progress Report. It continues to support the preferred path put forward in our 2016 IRP. By relying on ongoing investments in conservation and future purchases of Washington State eligible Renewable Energy Credits (RECs) to augment City Light's existing power supplies, the City is reliably meeting the new power and clean energy demands of a thriving and growing customer base. City Light's 2018 IRP Progress Report evaluated alternative paths to meet the stated goals of energy reliability, affordability, and environmental responsibility in recommending this plan.

The IRP is a long-term power supply plan that describes the utility's strategies to meet electric needs for the next 20 years. These strategies consider City policies, state laws, and City Light's mission. Our role as stakeholders for the Integrated Resource Plan is to review the choices in resources that City Light uses – or doesn't. We provide expertise, ask questions and make recommendations for the IRP. Going forward we expect the results of the 2019-2024 Strategic Plan to help establish our goals and priorities that will inform the analysis we need to perform in the 2020 IRP.

The 2018 IRP Progress Report explains how the combination of City Light's existing hydro power supplies, renewable energy, and investment in greenhouse gas offsets has positioned City Light to maintain its greenhouse gas neutrality which it has done since 2005. Additionally, the IRP Progress Report projects that investment in cost-effective conservation will exceed City Light's load growth and will enable opportunity for City Light to provide additional surplus hydro generation to the region in support of regional reliability and clean energy goals as the power supply mix transitions.

However, while the outlook seems secure, the future is not without uncertainty. Regional coal plants owned by other utilities and power producers are being retired and creating greater reliance on existing surplus hydro and renewable energy for other regional utilities' power needs. City Light's analysis for its own long-term reliability relies on a wholesale market assumption that surplus power will be available in patterns seen over the last two decades. This will make it important to monitor and analyze the commitments and investments that other regional utilities are making in energy conservation and new alternative power sources. Because of the changing power supply mix and new market dynamics, we believe that City Light should evaluate its use of market purchases for reliability as well as the value of its own hydro power including its storage and operating flexibility. Additionally, we believe that City Light should investigate increasing renewable energy demand by customers and other utilities and reevaluate the cost-effectiveness of its conservation and renewable energy resource plans in the 2020 IRP. Evolving preferences, technological innovation, policies and focus on equitable outcomes may lead to new refinements of City Light's path.

The 2018 IRP Progress Report discussions also have opened doors into the complex subjects for our next in-depth review. We recognize that there is a strong push in many progressive cities, including Seattle, to reduce fossil fuel use in transportation and building uses beyond the current mix. We recommend that City Light evaluate the electric system impacts of different paths and levels of achieving greenhouse gas reductions. City Light should consider a wide range of options to meet these possible paths. The resulting recommendations and policies that could be developed from understanding this work will need to consider costs and benefits that extend beyond the typical analytic realm of City Light and its IRP. For example, when a customer chooses to switch to an electric car, the IRP evaluates the changes to the electric system that will impact the customer's electric bill but does not consider how the customer will save money in fuel purchases and maintenance costs. Therefore, it is difficult in the IRP to measure customer affordability because affordability for a customer is based on their total expenses not just their electric bill. It is possible that higher costs in one part of their budget can result in lower costs in another part.

As we look ahead we also recognize City Light customer preferences are changing, the market is changing, and new technologies and customer power generation options are grabbing the spotlight. Many customers are more interested in lowering their carbon footprint. There is an opportunity for engagement with customers to better understand what resonates with them and how City Light can better meet customers' needs and preferences. This customer engagement process will be important for City Light to recommend a future path in the 2020 IRP. To enhance our public engagement efforts, we invite you to ask our owners – Seattle City Light's customers and your constituents – what changes they see in their power needs and what priorities emerge for them.

In preparation for the next IRP, City Light should look more broadly and strategically at demand side and supply side alternatives to meet its power supply, including the potential for distributed energy resources. Seattle City Light was founded on decisions that were extremely risky at the time they were made. Since then the utility has faced major divides in the road where leaders boldly chose the less-traveled path, such as building the Skagit hydroelectric project, pioneering an energy conservation

program, and achieving greenhouse gas neutrality. Today we are living with the benefits of lower customer energy use and clean hydro power. We see both challenges and exciting opportunities ahead and we stand ready to provide input to guide future policy decisions.

Thank you for your consideration.

Sincerely,

Charlie Grist
Conservation Resources Manager,
NW Power & Conservation Council

J. Wesley Lauer
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