



PUBLIC UTILITY DISTRICT NO. 1

Cowlitz County, Washington

961 12th Avenue

Longview, Washington

May 22, 2020

Washington State Department of Ecology
300 Desmond Drive SE
Lacey, WA 98503

Sent via public comment form at Ecology.wa.gov

Re: Draft Chapter 173-444 WAC - Clean Energy Transformation Rule

Cowlitz PUD appreciates the opportunity to provide comments regarding draft Chapter 173-444 WAC – Clean Energy Transformation Rule prepared by the Department of Ecology. The PUD provides electric service to nearly 49,000 customers throughout Cowlitz County and delivered over 4.6 million megawatt hours of electricity through retail power sales in 2019.

Draft WAC 173-444-040 – Greenhouse gas content calculation

The PUD largely supports the updated draft rule language specifying how utilities are to calculate the greenhouse gas emissions content associated with the electricity used to serve their retail loads. We are pleased by your consideration of the initial concerns expressed by utilities regarding several elements of the original draft and are encouraged by the modifications made in the latest draft that better align the GHG content calculation procedures with industry practices, market products, and transmission constraints.

One point of concern remaining is the inclusion of a transmission loss factor within the equations that employ the EPA and EIA calculation methodologies. We appreciate the breakdown of options for calculating losses in subsection -040(5) and understand that most utilities will be able to follow the “plant net output basis” path identified in (5)(b)(ii) which will result in transmission losses of zero MWh’s. However, compliance with CETA’s greenhouse gas neutral (RCW 19.405.040) and 100% clean (RCW 19.405.050) standards is based upon a utility’s retail sales of electricity to its Washington retail electric

customers. Transmission losses occur in the wholesale, rather than retail, space and thus are not contemplated by statute for inclusion within a utility's GHG footprint. While the updated draft language effectively cancels out transmission loss-related mitigation obligations for most utilities, we do not understand the purpose for its inclusion in the methodology. The PUD prefers rule language that has strong underlying support from the statute and would request that both subsection (5) be deleted and the references to transmission losses be removed from the methodology equations in subsections (2) and (3).

Subsection (4) prescribes the GHG content calculation for unspecified electricity purchases and uses the GHG-equivalent factor of 0.437 mt/CO₂e per MWh contained within RCW 19.405.070. The statute authorizes Ecology to adopt an emissions rate for unspecified electricity consistent with the rate established for other markets in the Western Interconnection. We understand the reasons expressed for incorporating the default rate within the initial rule, but we encourage Ecology in the near term to schedule the work necessary to update the emissions rate. This will allow utilities to plan for future resource acquisitions and market purchases using current information that reflects the increasing amount of renewable generation and declining amount of fossil fuel resources that make up unspecified fuel mix.

Draft WAC 173-444-050, -060, -070 -080 – Energy Transformation Projects

Cowlitz PUD appreciates the significant effort Ecology has made in preparing the criteria and verification procedures for energy transformation projects (ETP's). We are grateful for the inclusion of the initial list of eligible ETP categories in the revised draft rule that was reviewed at the May 13th workshop. The list will allow utilities to take first steps in the short term to prepare ETP proposals for verification, approval and, ultimately, investment. The PUD encourages Ecology to evaluate and release the remaining project categories related to the groupings identified in RCW 19.405.020(18)(b) as soon as possible, and propose a delivery date now that will provide utilities more certainty for their ETP development efforts.

Subsections -070 and -080 thoroughly outline the criteria and procedures necessary for developing ETP's that will meet the standards for use in complying with CETA. The PUD is concerned, however, that the criteria and procedures as drafted will actually discourage most utilities from developing ETP's due to their complexity and seemingly burdensome administration. Energy transformation projects were intended by the statute to incentivize innovation in the electrification of transportation and the development of alternative fuels. Investment in ETP's will require utilities to take

entrepreneurial risks, but in order to be successful, the returns must be significantly greater than the average market price of unbundled REC's purchased to meet CETA's GHG-neutral alternative compliance pathway. Unfortunately, several aspects of the draft rule are likely to diminish the necessary returns and increase the risks of deploying ETP's relative to the "safer" option of unbundled REC purchases.

Questions for consideration:

- *Subsection -070(f) Equity Effects.* How are utilities to analyze the equitable distribution of benefits arising from the deployment of ETP's? Is there an expectation for the submittal of environmental impact assessment, or an attestation from a consumer owned utility that any savings achieved through ETP's are to be distributed equitably across rate classes within the service area? The lack of definition around the terms "energy and non-energy benefits" and "equitable distribution of benefits" adds uncertainty within the ETP development process. The PUD suggests removing -070(f) from the ETP criteria.
- *Subsection -070(j) Monitoring Procedures.* Why would procedures be necessary to record the impacts and benefits of an ETP over time? We agree that a project proposal should demonstrate the measurability of outcomes. Monitoring procedures should be determined and approved by the appropriate governing authority rather than Ecology. Project outcomes will be readily quantifiable by the amount of GHG emissions reduced and converted into MWh's for CETA's alternative compliance option. The PUD suggests removing or modifying -070(j).
- *Subsection -080 Validation Approaches.* The proposed ETP validation approaches appear to be unnecessarily cumbersome. The third party verification method is likely to add considerable expense to the project, and the Ecology advisory opinion will add an inordinate amount of time and uncertainty to the process. Additionally, the PUD questions the purpose and necessity of having two separate 30-day comment periods when Ecology is requested to validate a project. We suggest revising the validation procedures to allow for third party verification as an option, but streamlining the Ecology pathway to review applications for general consistency with ETP category protocols and the measurability of project outputs that reduce greenhouse gas emissions. While establishing a public comment period before Ecology approves of new project category protocols is appropriate, public input should not be necessary for Ecology to validate a utility's ETP prior to the project's ultimate approval by its governing board or regulating entity.

Cowlitz PUD appreciates the efforts made to consider and incorporate stakeholder input within the draft rule language as well as the opportunities provided to further develop the regulations in the weeks and months ahead. We remain committed to the principles of ensuring that the contents of the rules meet the clearly stated intent of the statute and the final regulations allow for compliance with the least administrative burden on the utility.

Sincerely,

Steve Taylor

Steve Taylor
Director of Regulatory & Regional Affairs