




Washington Rural Electric Cooperative Association

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Date: February 21, 2020

To: Bill Drumheller, Air Quality Program, Department of Ecology

From: Kent Lopez, General Manager

RE: WRECA Comments Regarding the Department of Ecology's Draft Rule for Implementing Standards for Energy Transformation Projects under the Clean Energy Transformation Act (Chapter 19.405 RCW)

WRECA appreciates the opportunity to comment on the Department of Ecology's (Ecology) Draft Energy Transformation Project Rule Outline.

WRECA represents 15 electric cooperatives and mutual electric companies who provide very low carbon electricity services to retail electric customers in Washington.

Unfortunately, the draft Energy Transformation Project Rule Outline as presented during the stakeholder meeting on February 12 raises some concerns and we urge Ecology to reconsider its proposal to ensure adherence to the law for which the rule is being developed.

Our primary concerns are that Ecology's Outline fails to meet the intention and letter of the statute. Specifically, according to Ecology's proposal, on January 1, 2021 utilities will have neither:

- a) the criteria to use investments in energy transformation projects (ETPs) as an alternative means to comply with CETA; nor
- b) any factors to convert emissions reductions from ETPs into electric MWhs from non-emitting generation resources.

Following is a detailed explanation of WRECA's concerns.

Ecology's Statutory Mandates

CETA assigns Ecology with two tasks regarding energy transformation projects:

1. Develop criteria that utilities must use to apply the savings associated with an ETP towards compliance with CETA; and
2. Establish a conversion factor of emissions reductions resulting from ETPs to MWhs of electricity from non-emitting electric generation.

CETA mandates that Ecology complete these tasks by January 1, 2021. However, Ecology's proposal outlined during the February 12 stakeholder meeting would take 4 to 5 years to accomplish according to Ecology's own estimate.

Ecology's Draft Approach

As we understand the proposed draft:

1. An electric utility may submit a proposed protocol for consideration by Ecology. The protocol would be the general outline of what would be needed to establish the criteria for approving an ETP.
2. Ecology will evaluate submitted protocols using a lengthy public process and ultimately decide which protocols to adopt for approving ETPs.
3. An electric utility may then submit a protocol for approval by Ecology for specific ETPs.
4. Ecology will evaluate and approve specific ETP proposals based on the protocols that it has approved. The ETPs deemed approved by Ecology would then be eligible for consideration and approval or rejection by the governing boards of the WRECA members.

WRECA has multiple concerns with this proposal.

1. Ecology would fail to establish the rules needed by utilities to use ETPs by January 1, 2021, as required by CETA. ETPs are widely expected to be available for assessment as part of a utility's Integrated Resource Planning and during the development of the utility's Clean Energy Action Plans. Without the rules in place, as directed by CETA, a utility's Clean Energy Action Plan would be incomplete and fail to meet the CETA requirements.
2. The proposal would actually shift Ecology's statutory responsibility to develop the criteria for ETPs to the individual utilities.
3. CETA does not give Ecology the statutory authority to approve ETPs, only the responsibility to develop the rules to be used by the electric cooperative governing boards to evaluate the appropriateness of an ETP proposed by the utility.

WRECA Suggested Approach

Based on those parts of Chapter 19.405 RCW related to Energy Transformation Projects, we believe that a simpler and statutory consistent approach is for Ecology to start with the ETPs specifically listed in RCW 19.405.020(18)(b) and develop rules for their approval by the local governing boards. And Ecology should seek out conversion factors already established by other jurisdictions. That course would provide Ecology sufficient time to finalize the criteria for an ETP's approval and the conversion factors for most, if not all, of the categories of ETPs listed in the statute. And in subsequent years, CETA is clear that these conversion factors may be revised as needed.

This approach would provide the electric cooperative governing boards the information needed to assess proposed ETPs, determine if they meet the statutory requirements using the rules developed by Ecology and compare them to other compliance approaches using the conversion factors established by Ecology. Ultimately, according to CETA, the electric cooperative governing boards will decide whether they would use a proposed ETP as part of the electric cooperative's compliance strategy. And it is up to the auditor to determine whether individual electric cooperatives have complied with all facets of CETA including, when applicable, whether the ETPs have achieved the projected savings.

Thank you again for the opportunity to comment and please let me know if you have any questions.