May 25, 2020

Filed Via Ecology Comment Web Portal

Bill Drumheller
Washington State Department of Ecology
300 Desmond Dr. SE
Lacey, WA 98503

Re: PSE Comments as Follow-up to the May 13 Workshop

Dear Mr. Drumheller:

Puget Sound Energy (PSE) appreciated the presentations and robust discussion at the Department of Ecology's fourth stakeholder workshop on May 13th concerning The Clean Energy Transformation Act (CETA). PSE appreciates the opportunity to comment on the Proposed Draft Rule Language for WAC Chapter 173-444.

Greenhouse Gas (GHG) Emissions Calculation Method

Timing for EPA Emissions Report

PSE is concerned about the proposed timing of emissions reporting, in particular in Proposed WAC 173-444-040(2)(b), which states that if the Environmental Protection Agency (EPA) "has not yet published emissions values for the calendar year in the calculation, use the most recent five year rolling average published emissions values." Based on the timing of when the EPA generally publishes emissions values each year, it is likely utilities would regularly be required to use this rolling average, rather than actual emission data.

PSE proposes that rather than relying on a five-year rolling average, utilities should prepare and submit their GHG emissions reports to Washington State Utilities and Transportation Commission (UTC) and Department of Commerce *after* EPA data becomes available.

PSE understands that Ecology has proposed using a five-year rolling average due to a mismatch in timing between the UTC and Commerce reporting deadlines in Q2 and the annual release of EPA's data in late Q3. Instead, PSE recommends that Ecology extend its reporting deadline to Q4 so that utilities can use actual emission data that has been properly validated and released by the EPA. These data reports will inform GHG emission reduction progress, and a consistent method should be used to track emissions reductions over time. Switching between averages and actual data unnecessarily introduces uncertainly for known resources. Furthermore, five-year averages may include anomalies due to weather, fuel supply, extended outages, etc. that would skew the data. Finally, it is unclear whether it is Ecology's intention that utilities would be required to update the five-year rolling average with actual EPA data when it is released, which would add cumbersome data reporting.

Transmission Line Loss Calculation

PSE supports the inclusion of transmission line losses in the greenhouse gas (GHG) content calculation for the EPA and EIA methodologies, consistent with the California Air Resources Board (CARB). However, it is unclear how the Department of Commerce developed a five percent transmission line loss to be applied to unspecified purchases across the state of Washington. We recommend that the transmission line loss calculation for unspecified electricity be modified to be consistent with CARB's methodology of applying a two percent transmission loss for any unspecified market purchase.

Default emissions rate for unspecified energy

PSE would like to reiterate its interest in specifying, in rule, a periodic review of the emissions rate for unspecified sources. As stated in previous comments, PSE wants to ensure that any emissions rate applied to unspecified sources is *accurate*.

Ecology appeared reluctant at the last stakeholder meeting to specify a time frame for when it would revisit and update the emission factor. However, it is important that Ecology specify a timetable – and a regular cadence – for updating the emissions factor. The emissions rate for unspecified electricity was included in CETA as a default – for a situation where Ecology "has not adopted an emission rate for unspecified electricity." When CETA was enacted, PSE believed Ecology would endeavor to develop an emissions rate in this rulemaking – and the default rate was there as a backstop if the agency was unable to adopt an emissions rate within the one-year statutory time frame. Ecology has interpreted the language in CETA differently, reading the default emissions rate as legislative direction and the best starting point -- and determining that it will adopt this value without first attempting to evaluate emissions rates established for other markets in the Western Interconnection. PSE can accept this approach, provided that Ecology commits to a regular cadence for updating the emissions rate, similar to what Commerce does for the emissions performance standard in WAC 194-26-010. RCW 19.405.070 requires Ecology to "periodically" update the emissions rate by rule. Ecology should interpret what "periodically" means with two considerations in mind: (1) the four-year cycle for utilities to prepare clean energy implementation plans (CEIPs); and (2) the pace at which the region may become cleaner as coal generation retires and more renewables come online.

PSE recommends that the draft rules indicate that Ecology will update the emissions rate no later than 2022, and then will update the emissions rate every 4 years thereafter, to ensure that emissions reported as part of each subsequent CEIP are as accurate as possible.

Energy Transformation Projects

Transportation electrification is a key focus area for energy transformation projects (ETPs), as evidenced by the plain language of the CETA statute, which lists "support for electrification of the transportation sector" in RCW 19.405.020(18)(b)(ii) as the second category of eligible ETPs, with multiple examples of potential projects or programs specified in that subsection that could further electrification of the transportation sector. It is important to recognize that projects and programs that support electrification of the transportation sector have the most potential for achieving major emissions reductions as compared to other project categories that are listed in the definition of an ETP, many of which already have existing programs, incentives, and regulatory schemes in place. While PSE appreciates the first set of eligible ETPs includes electric vehicle (EV) charging infrastructure, the rules should address other types of projects and programs that support EVs that are listed in RCW 19.405.020(18)(b)(ii). The criteria and process that Ecology has used to identify the initial list of eligible project types has not been fully explained to stakeholders, other than a general explanation at the last workshop that these five ETP categories were the closest to being "ready to go" and may have less labeling challenges and/or less risk for double-counting. This does not seem like the best approach towards deciding which ETPs are to be included in rule first. PSE would appreciate an opportunity for more dialogue on eligible project types prior to rule language being finalized.

PSE feels strongly that only transportation electrification, for which there seems to be broad support, should be included as eligible project types in this rulemaking. This would not preclude other ETP categories identified by the Legislature from being considered in the next set of eligible ETPs, whether established by Ecology in rule or by administrative process. PSE is supportive of including a longer list of project categories in this first set, but only with adequate and transparent criteria and process for why those projects are being selected.

PSE also requests more clarity about when Ecology will begin the process to determine the second set of eligible ETPs through the administrative process established in rule, and how long the entire process is anticipated to take. Utilities are required to file their first CEIPs no later than January 1, 2022 (or earlier based on current draft CEIP rules). Utilities need certainty concerning ETPs to be able to include them in their first CEIP.

PSE appreciates the opportunity to provide comments in this rulemaking. Please contact Kara Durbin at (425) 456-2377 for additional information about these comments. If you have any other questions, please contact me at (425) 456-2142.

Sincerely,

/s/ Jon Piliaris

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