

May 26, 2020

Bill Drumheller
Air Quality Program, Department of Ecology
300 Desmond Dr SE
Lacey, WA 98503

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

Dear Mr. Drumheller:

Thank you for the opportunity to comment on the Department of Ecology's (Ecology) Draft Energy Transformation Project Rule Outline (Outline) for the Energy Transformation Project (ETP) Rule as presented in the March 16 teleconference. The Washington Public Utility Districts Association (WPUDA) represents 27 public utility districts and one joint operating agency, Energy Northwest, in Washington State. Our members provide very low carbon electricity services to over 30 percent of the retail electric customers in Washington.

WPUDA actively participated in the legislative process to craft the Clean Energy Transformation Act (CETA); beginning in 2018, through its many iterations, and culminating with the Governor's signature. Consistent with our comments of February 21, and March 23, 2020, it is WPUDA's understanding that the Legislature's intent for CETA applies derivatively to ETPs: "leading the transition to a clean energy economy" (RCW 19.405.010(1)), "maximization of family wage job creation" (RCW 19.405.010(2)), "transition to one hundred percent clean energy [faster]" (RCW 19.405.010(3)), "encourage and provide incentives for clean alternative energy sources" (RCW 19.405.010(4)), and "spur transformational change in the utility industry" (RCW 19.405.010(5)). We believe that public policy would be best served if the regulations that Ecology is developing to implement the ETP portions of CETA balanced these legislative goals with other statutory directives that ETPs provide additional, quantifiable, permanent and enforceable emissions reductions.

WPUDA believes that in their current form Ecology's draft rules are so cumbersome that few, if any, ETPs will come into existence. Therefore, we ask that Ecology to consider a modified regulatory approach; in this instance, to mimic the way the Regional Technical Forum (RTF)¹ assesses and verifies energy efficiency measures.

The RTF is comprised of around twenty members selected by the Northwest Power and Conservation Council. They are chosen from a pool of applicants for their technical expertise and experience in the areas of economic, statistical, and engineering analysis, as well as in the planning, implementation, and evaluation of energy efficiency programs and demand response products. RTF members serve 3-year terms.

As a body, the RTF judges the quality and reliability of savings, costs, and benefits, to determine reasonable estimates of energy savings and program impacts that utilities use in both conservation planning and compliance demonstrations. The savings estimates/program impacts are decided by a vote of RTF members. The RTF can further decide that a measure belongs in one of three categories (or is not sufficiently developed/verified to be placed in any category):

A **Unit Energy Savings** UES classification is appropriate for a measure whose average unitized savings is stable (both the mean and variance) and can be reliably estimated throughout the period defined by the measure's sunset date. Previously, this category was known as "Deemed Savings"

A **Standard Protocol** classification is appropriate when savings from a measure are widely varying but can be determined by a standardized procedure for data collection and analysis that is applicable to many different end-use sites. Standard Protocol measures require data about the site where they are delivered.

A **Custom Protocol** classification is appropriate for a measure that requires site-specific savings estimation planning, data collection, and analysis to develop a reliable estimate of savings. Custom protocols require site-specific documentation of the data collected and how those data are used in estimating savings.

WPUDA believes that, similar to the RTF, public policy would be best served by bringing together a group of subject matter experts to judge the expected savings and appropriate level of documentation needed to provide reasonable balance among the explicit and implicit statutory mandates. Therefore, WPUDA asks Ecology to consider forming a group similar to the RTF to specifically judge which category to place the array of energy transformation projects

¹ The RTF resulted from a 1996 directive from Congress to the Bonneville Power Administration (BPA) and the Northwest Power and Conservation Council (Council). The RTF's purpose is to develop standardized protocols for verifying and evaluating conservation savings and to ensure that the region continues to meet the Council's targets for securing cost-effective conservation. In April 1999, the Council voted to charter the Regional Technical Forum (RTF) as a technical advisory committee to the Council. The RTF's mission is to provide the Northwest region with consistent and reliable quantification of energy savings estimates for specific technologies or actions.

listed in RCW 19.405.020(18)(b)² as well as other types of projects brought forward for consideration. Such a group of subject matter experts would be ideally suited to judge the applicability of default emissions factors used in other jurisdictions for use in Washington state.³ We believe that this approach is likely to be the quickest path to establishing “Unit Emission Reduction” metrics⁴ that utilities can rely on when deciding on whether to pursue an ETP investment. Finally, for those ETPs determined to need a new protocol, WPUDA believes that this group could provide the expertise to develop and apply that protocol.

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- ² (i) Home weatherization or other energy efficiency measures, including market transformation for energy efficiency products, in excess of: The target established under RCW 19.285.040(1), if applicable; other state obligations; or other obligations in effect on May 7, 2019;
- (ii) Support for electrification of the transportation sector including, but not limited to:
- (A) Equipment on an electric utility's transmission and distribution system to accommodate electric vehicle connections, as well as smart grid systems that enable electronic interaction between the electric utility and charging systems, and facilitate the utilization of vehicle batteries for system needs;
- (B) Incentives for the sale or purchase of electric vehicles, both battery and fuel cell powered, as authorized under state or federal law;
- (C) Incentives for the installation of charging equipment for electric vehicles;
- (D) Incentives for the electrification of vehicle fleets utilizing a battery or fuel cell for electric supply;
- (E) Incentives to install and operate equipment to produce or distribute renewable hydrogen; and
- (F) Incentives for renewable hydrogen fueling stations;
- (iii) Investment in distributed energy resources and grid modernization to facilitate distributed energy resources and improved grid resilience;
- (iv) Investments in equipment for renewable natural gas processing, conditioning, and production, or equipment or infrastructure used solely for the purpose of delivering renewable natural gas for consumption or distribution;
- (v) Contributions to self-directed investments in the following measures to serve the sites of large industrial gas and electrical customers: (A) Conservation; (B) new renewable resources; (C) behind-the-meter technology that facilitates demand response cooperation to reduce peak loads; (D) infrastructure to support electrification of transportation needs, including battery and fuel cell electrification; or (E) renewable natural gas processing, conditioning, or production; and
- (vi) Projects and programs that achieve energy efficiency and emission reductions in the agricultural sector, including bioenergy and renewable natural gas projects

³ Because RCW 19.405.040(2) directs Ecology to “establish” rather than “adopt” conversion factors based on those previously adopted by other jurisdictions, there is no statutory reason the Department could not base those conversion factors on the deliberations of a group of subject matter experts:

Investments in energy transformation projects used to satisfy an alternative compliance option provided under subsection (1)(b) of this section must use criteria developed by the department of ecology, in consultation with the department and the commission. For the purpose of crediting an energy transformation project toward the standard in subsection (1)(a) of this section, the department of **ecology must establish a conversion factor of emissions reductions** resulting from energy transformation projects to megawatt-hours of electricity from nonemitting electric generation that is consistent with the emission factors for unspecified electricity, or for energy transformation projects in the transportation sector, consistent with default emissions or conversion factors established by other jurisdictions for clean alternative fuels. (emphasis added)

⁴ WPUDA envisions “Unit Emission Reduction” metrics as a corollary to the RTF’s “Unit Energy Savings” metrics. The RTF has successfully developed UES savings figures for a multitude of conservation measures (see attachment). WPUDA envisions similar success for an ETP body based on the RTF approach.

Finally, WPUDA wishes to point out that utilities have other low-cost options to comply with CETA's 2030 carbon neutral mandate. The most obvious alternative is the purchase of renewable energy credits which currently trade for around \$5.00. Because of these alternatives, WPUDA asks Ecology to reconsider the requirements for third-party verification and validation; at least for UER type projects. Such projects have already undergone this type of scrutiny in other jurisdictions and the availability of low-cost compliance alternatives coupled with high-cost penalties for failure to achieve the statutory mandates undermines any economic incentive to inflate reported emission reductions. Simplifying the process in the ways we have described will substantially reduce costs, and perhaps allow ETPs to be viable alternatives for achieving carbon neutrality.

Please feel free to contact me with any questions regarding our comments or proposed alternative approach.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Nicolas Garcia', with a long horizontal flourish extending to the right.

Nicolas Garcia, Policy Director