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TACOMA PUBLIC UTILITIES

May 25, 2020

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

Sent via public comment form at Ecology.wa.gov

Re: Tacoma Power's Comments Regarding the Department of Ecology's draft Chapter 173-444 WAC – Clean Energy Transformation Rule

Dear Mr. Drumheller:

Tacoma Power would like to thank the Department of Ecology (Ecology) for its collaborative stakeholder process and for the opportunity to offer comments on the draft Clean Energy Transformation Rule (Chapter 173-444 WAC). Tacoma Power is a municipally-owned electric utility that serves approximately 350,000 residents in the City of Tacoma, several surrounding cities, Joint Base Lewis McCord, and parts of unincorporated Pierce County. Additionally, Tacoma Power is a California Air Resources Board (CARB) designated Asset Controlling Supplier (ACS) utility for the purpose of specified source wholesale power sales that are compliant with California's mandatory greenhouse gas (GHG) reporting program.

PART I – DRAFT CALCULATION OF GREENHOUSE GAS EMISSIONS CONTENT IN ELECTRICITY WAC 173-444-040

Tacoma Power is generally supportive of the draft rule based on our understanding of the language as discussed below. If our interpretation of Ecology's draft language is not accurate, we would appreciate the opportunity to offer amended comments.

Tacoma Power reads the GHG methodology to direct utilities to utilize the EPA methodology for power plants that are not renewable or nonemitting and use the EIA methodology if the source is not resource-level specified. The EIA methodology appears designed to be compatible with ACS/aggregate source suppliers. Therefore, as we interpret the rules a utility like ours would follow these steps:

1. Report any specified purchases of emitting generation using EPA methodology, if possible.
2. Report BPA contract using EIA methodology (all BPA customers would do this), which would presumably utilize the relevant year's BPA ACS emission factor to calculate emissions per the equation.
3. Report unspecified source net purchases using default emission factor.

As mentioned earlier, Tacoma Power is a CARB designated (ACS) utility. We are pleased to see that the definition of "Aggregate source" includes CARB's ACS methodology for the purposes of calculating the GHG content in electricity supplied to

retail electric customers in Washington State. We would, however, appreciate clarification on the draft language in WAC 173-444-020 (2) b. that states that the CARB ACS emissions rate must be approved by the “regulatory agency”.

The definition of “regulatory agency” suggests that Ecology envisions the Department of Commerce to be the appropriate regulatory agency for approving an annual CARB ACS emissions rate. We would like to note our concern that this structure will create a duplicative process for entities like Tacoma Power and BPA that already annually complete a verification process involving both CARB and an independent third-party verifier. We instead recommend that Ecology allow entities that wish to have aggregate source status under the reporting program to submit proof of their approved CARB ACS filing, in order to avoid redundancy and the potential for increased administrative burden.

In regard to the inclusion of a transmission loss factor within the equations that employ the EPA and EIA calculation methodologies, it appears that generation measured at the busbar is assumed to have zero losses and we understand that most utilities will be able to follow the “plant net output basis” path identified in (5)(b)(ii). However, we believe that BPA considerations here are larger in terms of how they report, and it is important to understand how BPA will report their emissions per the aggregate source definition. It is our understanding that if BPA’s report includes losses, utilities that are customers of BPA will not have to assume additional losses.

Lastly, 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. We appreciate Ecology’s reasons for incorporating the default rate within the initial rule. However, we encourage Ecology to identify a timeline to begin the needed analysis to more accurately determine the amount of CO₂ associated with unspecified generation, as the region’s resource portfolio continues to add renewable generation and shutter fossil fuel resources (e.g., Centralia 1 and Coalstrip 1 & 2).

PART II – ENERGY TRANSFORMATION PROJECTS WAC 173-444-050, -060, 070, -080

Tacoma Power commends the Department of Ecology for the significant work it has made in preparing the criteria 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 13 workshop. The list will allow utilities to take first steps in the short term to prepare ETP proposals for verification, approval and, ultimately, investment.

Nevertheless, our general sense from the draft rule is that the administrative process is quite burdensome and will likely result in a disincentive for utilities to invest time and resources in developing innovative energy transformation projects to reduce emissions in the transportation and building sectors, which are individually and combined much greater sources of GHG emissions than the electric sector. ETP’s will not be a successful strategy unless they provide an attractive marginal cost vis a vis alternative CETA compliance options; which at this time appears to be the marginal price of unbundled REC’s. If this is an accurate assumption, it would be an unfortunate outcome in terms of achieving Washington state’s greenhouse gas goals, as these projects have the potential to achieve significant emissions reductions in other sectors.

Tacoma Power is also concerned that WAC 173-444-060 (5) seems to preclude new and evolving renewable hydrogen generation technologies. It would be another unfortunate outcome if projects involving formic acid-derived Hydrogen that might be used to generate electricity were entirely precluded from ETP consideration. Projects in this space often have multiple aims, some of which may fit under the draft rules, and some of which may not. Renewable hydrogen production, distribution, and fueling infrastructure are categories under the draft rule, which is encouraging. However, we are concerned that the rule would not recognize these projects if, for example, the development of emergency backup generation using formic acid/hydrogen technology was part of the overall project scope. Simply put, we believe components of ETPs such as renewable hydrogen production and distribution should not be ineligible under the rule because of the fuel's end use. Projects like the one we describe directly displace inefficient diesel generators, reducing emissions in a manner aligned with the goals of the policy, even though the specific electric generation component is not eligible under the statute.

Again, thank you for the opportunity to provide comments on the draft rule. Tacoma Power looks forward to continued collaboration with the Department of Ecology and other stakeholders on the development Department of Ecology's draft Chapter 173-444 WAC – Clean Energy Transformation Rule.

Sincerely,

Lisa F Rennie

Lisa Rennie
Senior Policy & Regulatory Advisor