



**October 14, 2020**

**Bill Drumheller and Neil Caudill  
Washington State Department of Ecology  
300 Desmond Dr SE  
Lacey, WA, 98503**

**Re: Climate Solutions comments on CR-102 rules pertaining to greenhouse gas calculation methodology and Energy Transformation Projects (ETPs), Chapter 173-444 WAC**

Dear Mr. Drumheller and Mr. Caudill,

Climate Solutions thanks you for the opportunity to submit comments on the CR-102 pertaining to greenhouse gas calculation methodology and Energy Transformation Projects (“ETPs”). Climate Solutions is a clean energy nonprofit organization working to accelerate clean energy solutions to the climate crisis. The Northwest has emerged as a hub of climate action, and Climate Solutions is at the center of the movement as a catalyst, advocate, and campaign hub.

A clean and efficient grid serves as the foundation to deeply decarbonizing Washington’s economy. Therefore, the proper implementation and compliance with the Clean Energy Transformation Act (“CETA”) is critically important. Accurately calculating the electric sector emissions and providing for appropriate, high-integrity mitigation opportunities is in the public environmental, health, and economic interest and is necessary for effective implementation of CETA.

We appreciate a number of clarity and substantive improvements in the CR-102 rules published by the Department, including ensuring that ETPs must achieve both fossil fuel reductions and provide energy services. We look forward to continuing to work with the Department’s staff on finalizing these rules.

## **I. GHG Calculation**

*Consideration of storage in emissions calculations:* Climate Solutions strongly recommends that Ecology incorporate methodologies for calculating electricity emissions procured from storage resources. Calculating from the power plant busbar will address stored electricity by requiring that the full amount of generated power needs to be considered, regardless of how much of that power is ultimately delivered to customers after incorporating round-trip efficiency, transmission, etc. However, just as the Department provides a provision for calculating transmission losses should this not be included in the underlying calculation, it is critical that similar loss calculations be included to address storage inefficiencies as well.

Further, stored power will not always be traceable to its generating resource. In the event that power purchased from a storage facility is sold to the utility as unspecified, the approach within the draft rules will fail to account for the full life of the electricity. We recommend that a separate procedure be developed for Unspecified electricity procured from storage facilities to incorporate these losses, with consideration for the particular efficiency characteristics of the battery, pumped hydro installation, or other storage resource in question. Because this would be consistent with the requirement to calculate



transmission losses, Climate Solutions urges the department to include parallel language requiring the full calculation of these utility claims and emissions, ensuring that a utility claims the full generation amount, rather than just the electricity received from a storage provider.

*Include coverage of upstream emissions:* We urge the Department to incorporate calculation methodologies for upstream emissions. The Clean Energy Transformation Act in RCW 80.28.405 requires that the “cost of greenhouse gas emissions resulting from the generation of electricity” be incorporated into utility plans. While this provision doesn’t apply to the Department of Ecology, it provides an indication of the necessary coverage for the purpose of GHG calculation requirements. Because upstream emissions, including leakage of natural gas, are a result of a utility’s consumption of that fuel for the generation of electricity, they should be included as an additional calculation within this rule. This is necessary for consumers to accurately understand the full emissions impact of the electricity product provided to them by their utility.

A number of utilities already incorporate upstream emissions calculations within their Integrated Resource Plan, but it’s not clear that they do so consistently or following best practices and best available science. Climate Solutions encourages the Department to incorporate calculation methodologies for upstream emissions and ensuring that these are consistent with forthcoming rulemaking in the Greenhouse Gas Assessment for Projects.

## **II. Energy Transformation Projects**

Climate Solutions looks forward to engaging in future discussions outlined in the proposed rules regarding ETP categories. To maintain the integrity of the greenhouse gas neutral standard, it is critical that the Department rigorously evaluate additionality of any category, both individually and in combination with other proposed categories. In addition, we provide the below comments on additionality of certain CETA-listed categories, additional projects for consideration, and ongoing monitoring of ETPs.

*Additionality of electricity system resources:* CETA directs the Department to consider a range of project categories under RCW 19.280.020(18)(b), but it doesn’t require their inclusion—ETPs “*may include*” (emphasis added) a range of identified project categories like “home weatherization or other energy efficiency measures” (i), “distributed energy resources and grid modernization” (iii), and projects at industrial facilities to aid in “conservation;...new renewable resources;...demand response” (v). This list is permissive, but the additionality provisions incorporated within RCW 19.405.040(1)(b)(iii) and RCW 19.405.040(2) are not—each one of these projects would contribute to a utility’s compliance with CETA itself, and so should not be eligible for consideration as an ETP.

Energy efficiency, demand response and distributed clean energy resources are all strategies for managing loads and would facilitate compliance with the statute’s clean resource requirements. Grid modernization, since it is defined as a strategy for incorporating non-additional DERs, also doesn’t meet the statute’s additionality requirements. Even if the ETPs for these categories were to exceed what would otherwise be cost-effective under the requirements of RCW 19.405.040(1) and RCW 19.405.050(1), their deployment would still materially change a utility’s compliance pathway under the core clean energy provisions of the law, alter their needs for other resources, ultimately would not yield



new carbon reductions compared to the baseline established under the 2030 or 2045 requirements. They certainly wouldn't meet any known standard for greenhouse gas neutrality. For this reason, they should be disallowed as ETP categories.

This interpretation is consistent with all descriptions of ETPs in the statute, including under RCW 19.405.040(1)(b)(iii). While this provision allows for "investing in energy transformation projects, including additional conservation and efficiency resources beyond what is otherwise required under this section", this provision still directs Ecology to do some subject to an evaluation of the additionality of these and other projects. These "conservation and efficiency resources" can be used as alternative compliance only if said resources "are not credited as resources used to meet the standard under (a) of this subsection [the GHG neutral standard]". Because there is no way to separate the application of these project categories from a utility's requirements to procure clean power, these project categories should not be included in Ecology's future listings, this provision is consistent with other requirements in CETA that disallow the inclusion of these categories as ETPs.

*ETP category consideration:* Climate Solutions is supportive of including ETP categories pertaining to transportation carbon reduction. Provision of electric vehicle charging clearly meets the statutory direction established in CETA, and we believe that hydrogen supply for transportation can as well. We refer the Department to our letter dated May 22<sup>nd</sup> of this year for considerations regarding the inclusion of hydrogen ETPs. While we think this is a reasonable category for consideration, we have substantial concerns that as previously discussed, this ETP category may provide credit for hydrogen use outside of the transportation sector, outside of Washington, or in a way that double-counts emission reduction. While we will reserve further comment until Ecology describes the hydrogen transportation ETP, we urge the Department to be attentive to these considerations and ensure that any selected category is additional in and of itself and in combination with other eligible categories.

In addition to the identified categories, Climate Solutions recommends that Ecology explore building electrification as an eligible ETP category. Buildings are some of the fastest growing sources of emissions in the state, and the use of heating oil, wood stoves, and natural gas has been shown to cause a myriad of significant indoor and outdoor air quality harms. Addressing these harms meets CETA's broader direction to serve the public interest and equity. There are currently very few utility programs that incentivize building electrification, making these projects additional and accelerating overall greenhouse gas reductions in the state. Utilities can receive ETP credit for incentivizing heat pumps, radiant heating, electric water heaters, and other electric appliances when these replace a different emitting appliance.

Additional categories for consideration could include agricultural and industrial emissions, both identified and still eligible categories listed within CETA's ETP definition.

*Ensuring implementability of ETPs:* Climate Solutions appreciates the Department's attention to enforceability and ongoing monitoring of ETPs claimed by utilities. While we support the accountability built into these measures, we want to ensure that utilities as much as possible are able to pursue ETPs compared to other alternative compliance mechanisms like RECs. In particular, it's possible to envision implementation difficulties when providing credit for certain kinds of decentralized emission reductions, like electric vehicle incentives, where ongoing tracking of a vehicle's location, use and ownership is difficult. These types of projects and programs will be valuable contributions to Washington's



decarbonization pathway, and utilities should be able to opt into using those categories with an assurance that they will be able to reasonably comply with their requirements.

*Authority for early action:* The Department's draft rules don't speak to when projects must take place in order to receive ETP credit for use by utilities after 2030. Because of the urgency of climate change, we request the Department specify that utilities may begin earning ETPs in 2022, the first year of required Clean Energy Implementation Plans, or when rules, categories and protocols are complete, whichever is later.

### **III. Conclusion**

Thank you for the opportunity to provide comments on CR-102 proposed rules concerning greenhouse gas calculations and energy transformation projects. These are crucial components in achieving the 2030 requirements and offering public insight into the environmental performance of electric utilities, and we are eager to continue engaging in the department's work as these rules are refined and finalized.

Sincerely,

A handwritten signature in black ink, appearing to read "V.L. Gutman-Britten".

Vlad Gutman-Britten  
*Washington Director, Climate Solutions*