



*Energizing Life in Our Communities*

October 14, 2020

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Department of Ecology  
300 Desmond Dr SE  
Lacey, WA 98503

Via online portal at: <https://ecology.wa.gov/Regulations-Permits/Laws-rules-rulemaking/Rulemaking/WAC-173-444>

**RE: Snohomish comments on proposed WAC-173-444**

Snohomish PUD (Snohomish) appreciates the opportunity to provide feedback on the Clean Energy Transformation Act (CETA) topics discussed to date regarding the Department of Ecology's (Ecology) proposed CETA rule language. With 2,200 square miles of service area, serving a population of over 811,000 residents and 18,000 businesses, Snohomish is the second largest publicly owned utility in the Pacific Northwest and 13th largest in the nation. Snohomish serves our customers with electricity that is 98% carbon free on a four-year average, the majority of which is hydro generation and purchased from the Bonneville Power Administration.

Snohomish appreciates the work Ecology put into its rule proposal in the CR-102 phase. Snohomish intends to highlight sections of the proposed rules that we believe require clarification or could result in unintended consequences. Generally, Snohomish believes Ecology's currently proposed rules create unnecessary obstacles in the utility planning process for investments in Energy Transformation Projects (ETPs) to meet CETA compliance goals.

**WAC 173-444-070(3)(j): The structure and form of verification of Energy Transformation Project benefits create unnecessary investment barriers to ETPs**

Ecology outlines a specific methodology requiring the verification of ETPs before their operation, as well as requiring verification of benefits in their comprehensive protocol after the ETP is operating. This process mandates a third-party verification to monitor the ongoing benefits of an ETP.

The costs associated with a third-party verification procedure can present projects with significant additional costs. This is especially true if third-party verification is required over several years. Utilities will examine the economic viability of potential ETPs, which will be compared against similarly priced alternatives – the costs associated with ongoing third-party verification could change the economics of an ETP, resulting in an otherwise lowest cost option not being adopted. Further, securing a third-party with the proper experience and knowledge that falls under Ecology's outlined expertise requirements could be challenging, depending on the nature of the ETP.

Ecology should consider establishing standardized eligible project types and emissions savings on a per unit basis in order to add certainty and reduce soft cost of ETPs. ETPs are expected to compete with low-cost RECs for compliance value. Any uncertainty, soft costs, or transaction costs added by prescriptive rules reduce the likelihood that ETPs will be a viable investment for utilities. Specifically, this uncertainty presents a barrier for planning for ETP investment on a long-term planning basis which values cost and risk certainty in balancing possible investment paths. The process is likely to devalue small-scale projects that may have greater community benefit than a large-scale project due to the proportion of soft costs incurred by the verification process.

**WAC 173-444-070 and 173-44-080: The process to establish an ETP is overly complicated and may consequentially reduce ETP development**

The current draft rule language proposes a process for determining the viability or eligibility of an ETP that is substantially burdensome and may prove to be prohibitive to ETP implementation. If Snohomish were to consider a potential ETP, there is currently no clear path laid out in draft rule language for how to evaluate its eligibility. The current draft rules seem to raise an immediate barrier that must be navigated before utilities can determine core issues, such as the essential functions or viability of an ETP. This proposed process significantly reduces the viability of ETPs as a reasonable compliance pathway by shifting initial ETP considerations away from compliance with CETA at the lowest reasonable cost.

There are number of identified criteria found in WAC 173-444-070 that are reasonable and useful measures for evaluating an ETP, such as reduction of greenhouse gases, temporal and geographic effects, and establishing appropriate GHG conversion factors. However, as drafted, these factors are included with a number of prescriptive requirements that may consequentially stifle ETP development.

Snohomish suggests creating standardized eligible project types with uniform compliance credits by project type to reduce soft costs and encourage utility investment. For example, Level 2 electric vehicle chargers could have an established standardized compliance value per charger installation based on the average asset life of that charger. This is similar to how many conservation investments have deemed first-year value for energy savings. It is important to balance the desire for precision in estimating benefits with the methodology's practicality and the project cost impacts of the choices made. Utilities would still have the option to develop ETPs that do not fall into one of the standardized categories. However, more public benefit may be created by a generally acceptable project type and compliance value that incentivizes more investment than a precise framework that incentivizes less.

Snohomish encourages simpler and more foundational draft rules regarding ETP development, analysis, and review. With the wide variety of ETPs that could be considered, overly complex or prescriptive rules such as those found in the current draft could significantly reduce or eliminate innovative paths to CETA compliance and carbon reduction.

**The framework for deemed savings in the Energy Efficiency industry in the Pacific Northwest may offer a viable framework for standardized ETP project types to increase the probability of ETP investments**

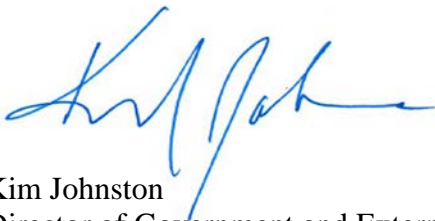
The proposed approach for project verification through custom verification and project establishment, outlined in Ecology's proposed rules, makes it difficult for a utility to demonstrate to its customers that ETP investment will be more cost-effective than alternative mechanisms for CETA compliance. This is because there is uncertainty as to how different projects might be evaluated and by whom, what regulatory compliance value they may have as a result, and what soft costs may be required for project establishment and verification.

Deemed savings for utility conservation projects could serve as a model for standardizing common ETPs. In this model, a single third-party establishes the deemed first-year energy savings for common conservation measure for the region based on a standardized measurement, publishes the results in a Technical Reference Manual (TRM, established by the Regional Technical Forum in the Pacific Northwest), and utilities reference those shared standards in evaluating the potential energy savings from a given level of investment available within their service territory with a given useful life. The use of a TRM for common measures does not preclude the establishment of customer energy savings measures for non-standard conservation measures.

Standardizing carbon savings on a per measure basis for common project types using a model like deemed savings in the energy efficiency industry, would reduce project costs, allow utilities to plan for potential investment with less uncertainty, and increase the speed with which investment in common projects could be accomplished.

Snohomish appreciates the opportunity to provide comments to Ecology on its proposed rules. Please feel free to contact us if you have any questions or would like to discuss our comments further.

Sincerely,

A handwritten signature in blue ink, appearing to read "Kim Johnston", is written over the printed name and title.

Kim Johnston  
Director of Government and External Affairs