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***Filed via Ecology Comment Web Portal***

Debebe Dererie  
Washington State Department of Ecology  
Air Quality Program  
P.O. Box 47600  
Olympia, WA 98504-7600

**Re: Comments of Puget Sound Energy on the Department of Ecology's proposed Clean Energy Transformation Rule (Chapter 173-444 WAC)**

Dear Mr. Dererie:

Puget Sound Energy (PSE) appreciates the opportunity to provide comments on the Washington State Department of Ecology's (Ecology) proposed Clean Energy Transformation Rule. This rule, which includes proposed requirements governing energy transformation projects (ETP) and the methods by which utilities will calculate greenhouse gas (GHG) emissions, is a key component of the implementation process for the Clean Energy Transformation Act (CETA).

PSE highlights three issues in these comments, each of which PSE has discussed previously.

- *First*, PSE reiterates the need for a clear and regular process, set forth in rules, that outlines how and when Ecology will update the emissions rate for electricity from unspecified sources.
- *Second*, PSE urges Ecology to ensure that the proposed public process to determine eligible categories of ETPs runs smoothly, and with clear rules, processes, and timelines, so that utilities and stakeholders can consider these projects in the near term.
- *Finally*, PSE again highlights a potential timing issue created by proposed emissions reporting requirements that depend on data published by the U.S. Environmental Protection Agency (EPA).

**I. Ecology should revise the proposed rules to include a clear and regular process to update the emissions rate for unspecified electricity**

PSE reiterates its earlier requests for Ecology to specify an explicit process, in the text of the rule, for the periodic review and update of the emissions rate for unspecified sources. As stated previously, PSE's primary goal is to ensure that any emissions rate applied to unspecified sources is accurate and remains that way over time. In the proposed rules, however, Ecology has proposed to adopt the backstop emissions rate specified in the CETA statute. *See* RCW 19.405.070(2); proposed WAC 173-444-040(4). PSE understands that this emissions rate may reflect the marginal rate for the WECC as it stands today. However, PSE anticipates that as the region's energy generation mix gets cleaner—due to coal generation retirements and more renewable resources coming online—this rate will become increasingly inaccurate over time.

PSE appreciates that Ecology has committed, albeit informally, to updating the initial emissions rate at a later date, perhaps in a subsequent rulemaking. Yet PSE continues to believe it is critical that Ecology specifies a timetable—and a regular cadence—in the rules themselves for updating this emissions factor. When CETA was enacted, PSE believed Ecology would endeavor to develop an independent emissions rate in this rulemaking, not simply rely on the backstop rate included in the statute for use in the event Ecology was unable to adopt an emissions rate within the one-year statutory time frame. But Ecology has interpreted the language in CETA differently. PSE can accept this approach, provided that Ecology commits to a regular cadence for updating the emissions rate.

Consistent with PSE's earlier comments and testimony at the October 6, 2020 hearing, Ecology should revise the rules to: (1) update the emissions rate for unspecified electricity by 2022; and (2) synchronize subsequent updates of the emissions factor with the four-year cycle for utilities to prepare clean energy implementation plans (CEIP) under CETA. In PSE's view, this approach will ensure that emissions reported as part of each subsequent CEIP are as accurate as possible.

**II. Ecology must ensure that the proposed public process for determining eligible categories of ETPs adheres to clear timelines and processes**

Next, PSE highlights the importance of clear timelines and comment procedures for the proposed administrative process for determining eligible categories of ETPs. In concept, PSE is not opposed to the proposed public administrative process that occurs outside of a formal rulemaking process. But it is crucial that Ecology ensures the process runs smoothly and as intended in the rule. ETPs are an important component of the law, and were intended to provide a means of alternative compliance that should be realistically available to utilities. Although utilities will not need to demonstrate compliance with CETA's GHG neutral standard until 2030 and beyond, utilities and stakeholders do need reasonable certainty in the near term about what projects can be considered. PSE therefore looks forward to a robust and timely public process for examining and determining eligible ETP categories and other protocols.

### III. The timing of EPA’s publication of emissions values may create reporting issues

PSE’s final comment relates to the proposed requirement that, if the EPA “has not yet published emissions values for the calendar year in the calculation, [utilities must] use the most recent five year rolling average published emissions values.” See proposed WAC 173-444-040(2)(b). Because the EPA generally publishes its emissions values after utilities must prepare their emission reports, PSE remains concerned that this approach will regularly result in utilities relying on the rolling average approach to emissions reporting, rather than actual emissions data.

Previously, PSE proposed that rather than relying on a five-year rolling average, utilities should prepare and submit their GHG emissions reports to the Washington Utilities and Transportation Commission (UTC) and the Department of Commerce after EPA data becomes available. Although 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, PSE nonetheless 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 uncertainty for known resources. Moreover, the use of five-year averages may include anomalies due to weather, fuel supply, extended outages, etc., which may skew the data. As a final point, PSE maintains that the rule is currently unclear as to whether Ecology intends for utilities to update the five-year rolling average with actual EPA data after it is released. If so, this would add another level of cumbersome data reporting.

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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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