January 26th, 2022

Cooper Garbe
Rulemaking Lead
Washington Department of Ecology
P.O. Box 47600 Olympia, WA
98504-7600

RE: Chapter WAC 173-446 Draft Rules

Dear Mr. Garbe,

The Energy Project (TEP) is a non-profit program that works collaboratively with stakeholders within the arena of energy policy to ensure resources are available for low-income and vulnerable populations. TEP specifically investments in energy efficiency, bill assistance services, renewable energy resources, and other efforts that directly benefit low-income households in Washington state. TEP is grateful for the opportunity to provide initial comments on the Climate Commission Act (CCA).

The CCA caps and reduces statewide greenhouse gas emissions consistent with the limits established in RCW 70A.45.020. While the CCA covers emissions from multiple sectors, our comments will primarily address cost and rate impacts to low-income households and vulnerable households and the distribution of allowances to utilities.

RCW 70A.65.120/70A.65.130 - Allocation of allowances to utilities

Without redistribution of allowance value, cap-imposed costs will ultimately be borne by energy consumers, both businesses and households. In particular, lower-income households will bear a disproportionate share of the costs related to an emissions cap, because those households generally spend a higher percentage of their income on energy-related goods and services than do higher-income households. Moreover, lower-income households already pay (on average) a larger share of their income toward the costs of their residential energy and for gasoline. These households are also less likely to have the financial resources to improve the energy efficiency of their dwelling units or to purchase energy efficient appliances or cars, which could help reduce high energy costs.

- *Fully protect the low-income and vulnerable households.* Low-income households (as defined by CETA as households at or below 80% of Area Median Income or 200% of the Federal Poverty Level, whichever is greater), should be prioritized for any funds resulting from the CCA. These funds should be utilized to offset any increases in energy burden for low-income and vulnerable households.

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- *Use mechanisms that reach all or nearly all low-income households.* There are existing mechanisms to reach the large number of low-income households, including utility energy assistance programs, and remaining gaps could be filled with weatherization, energy efficiency services, or access to renewable energy projects directly benefitting low-income households.

- *Minimize red tape.* Allowances should go directly to intended beneficiaries to the greatest extent possible. Accordingly, relief should operate as much as possible through existing, proven delivery mechanisms rather than new public or private bureaucracies.

For consumer-owned utilities (COU)s, we agree with NW Energy Coalition and recommend Ecology issue guidance on the use of the value of no cost allowances consigned to auction beyond what is included in WAC 173-446-230(5) and establish a biennial reporting requirement on the use of the value of no cost allowances. The guidance to COUs on the use of the value of no cost allowances should include: A detailed list of mechanisms to provide benefits to ratepayers consistent with RCW 70A.65.120(4). Mechanisms to provide benefits to ratepayers include, but are not limited to, weatherization, energy efficiency, electrification of heating in buildings, distributed energy resources, grid modernization technology, and transportation electrification.

For investor-owned utilities (IOUs), we believe the UTC is best equipped to make recommendations related to reducing rate impacts to low-income households. The UTC regulates already-implemented energy assistance and weatherization programs and new policies, resulting from the Clean Energy Transformation Act (CETA) and Senate Bill 5295 (passed in the 2021 session), are being considered concurrently by the UTC. Since CETA and SB5295 have provisions to reduce costs on vulnerable households, the UTC can include rate-impact allowances in coordination with current low-income programs.

Sincerely,

The Energy Project

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