

January 26, 2022

Filed Via Web Portal

ATTN: COOPER GARBE
DEPARTMENT OF ECOLOGY
AIR QUALITY PROGRAM
P.O. BOX 47600
OLYMPIA WA 98504-7600

RE: Rulemaking - Informal Comment Period on Climate Commitment Act Program, Chapter 173-446 WAC

Seattle City Light (City Light) appreciates the opportunity to comment on the draft program rules for Chapter 173-446 WAC, Climate Commitment Act Program.

City Light would also like to highlight that we support the comments submitted by the Public Generating Pool and Joint Utilities but have differing views on issues regarding Voluntary Renewable Energy (VRE) programs.

Baseline and Allowance Allocation Calculations

It is critical for Ecology to establish an accurate baseline for the program. The proposed approach to establishing a baseline for imported electricity is inconsistent with the first jurisdictional deliverer point of regulation under the Climate Commitment Act and, therefore, is not an accurate representation of the baseline. In addition to this, the proposed approach to capture the cost burden effect of the program on electric utilities will not reflect the information Ecology needs to forecast cost burden. We recommend that Ecology follow the suggestions put forth by the Public Generating Pool and the Joint Utilities to calculate the subtotal baseline for electric power entities and improve the approach used to capture the cost burden effect.

Tracking Use of Funds from No Cost Allowance Sales

Ecology requested input on how it might monitor whether funds generated from no cost allowances are being put toward the benefit of ratepayers. If Ecology plans to define a mechanism to track and monitor spending of funding received from auctioning no cost allowances, we recommend working with utilities to establish policies and procedures. As a public utility, the no cost allowances will be used for ratepayer benefit.

Voluntary Renewable Energy

VRE programs can lead to emission reductions. We appreciate that Ecology recognizes the value of these programs and ask for clear assurance that voluntary renewable energy purchases will not be subject to further complexities and compliance burden, which would serve as a barrier to VRE programs and thus the goals of the Climate Commitment Act. We understand that procedures to account for these VRE programs are still to be finalized and would like to see language that ensures utilities and customers are not penalized for importing bundled renewable energy associated with these programs, including any load served with bundled VRE program purchases. We would also like to ensure that any coverage does not impact the ability of electric utilities to receive sufficient allowances to cover the cost impacts of the program on customers.

Offsets

The draft invalidation rule places unacceptable risk on the offset buyer. As drafted, offsets can be invalidated eight years (two compliance periods) after issuance. Therefore, long after the offsets are verified, approved, paid, delivered, and applied toward an entity's compliance obligation, the purchaser's investment can still vanish for no fault of its own. Invalidation is outside the buyer's control and may occur for reasons unrelated to the offset's emission reduction activity (3)(b). This level of risk is unacceptable for public entities who have an obligation to manage public funds responsibly, and it is potentially harmful to both buyers and sellers of offsets.

As a result of invalidation risk, derivative offset products have arisen, including specialized insurance for offsets and various offsets such as 3-year compliance offsets which require a second verification, Section (2). While the second verification option may reduce the invalidation window from 8 years to 3, the risk is still unacceptable for buyers. Furthermore, verifications are expensive, and second verification is prohibitive for some offset projects and developers. All of this creates excess costs, complexity, and risks that do not lead to additional emission reductions.

In the spirit of learning from the California program, and building upon its successes and its challenges, we request that Ecology consider alternatives to the currently proposed invalidation provisions from the California program. While some proposals may place the risk solely on the seller, we understand this risk is harmful to sellers and projects and may impede a healthy offset program.

Alternately, we suggest that Ecology consider adoption of an offset 'Buffer Pool', a type of reserve offset account, to be shared among all of Washington's compliance program offsets. This would distribute and manage risk via a mechanism like the 'Buffer Account' of offsets designed to guard against reversal in forestry projects (WAC 173-446-570). The proposed shared Buffer Pool could be used toward invalidated offsets, similar to a reversal in forestry protocols (WAC 173-446-570 (2)(B)). A Buffer Pool of offsets could be collected fairly from all participating offset projects until a stockpile is achieved in quantity sufficient to manage the risk. We believe that an offset Buffer Pool would protect the credibility of Washington's offset program while better managing the risks for all parties.

Ecology might also consider additional specificity on which circumstances could trigger invalidation. Section (3)(b) includes circumstances that may be unrelated to the emission reduction activity but can still trigger invalidation.

We look forward to continued engagement with Ecology on this work.