

July 15, 2022

VIA EMAIL AND ONLINE UPLOAD:

Cooper Garbe, Rulemaking Lead, Policy and Planning Section
Washington State Department of Ecology
300 Desmond Drive SE
Lacey, WA 98503
Cooper.garbe@ecy.wa.gov

Re: Comments on Proposed Rule for WAC 173-446

Dear Cooper:

CenTrio Energy Seattle, LLC (“CenTrio,” formerly EnWave Energy US, formerly Seattle Steam Company) welcomes the opportunity to comment on the proposed rule for WAC 173-446 (Proposed Rule), which was published in May by the Washington State Department of Ecology (Ecology) and which aims to implement most of Washington’s Climate Commitment Act (CCA).

CenTrio plays a crucial role in Seattle’s economy and its provision of medical and other critical services.

CenTrio Energy tackles global energy problems on a local level, with local resources. We produce and distribute reliable and sustainable steam energy through a vast network of underground piping. CenTrio Energy serves about 33 million square feet which includes, Seattle’s downtown core, health care district, Pioneer Square and stadium district. Our energy provides heating, humidification, sterilization to our customer base which includes the hospitals on 1st Hill, commercial real-estate owned by University of Washington, Seattle Public Library, Seattle Art Museum, City of Seattle, King County. Numerous hotels, including, Fairmont Olympic and The Four Seasons. CenTrio also provides energy to local breweries and distilleries.



Clarence Clipper

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CenTrio is moving aggressively to cut its greenhouse gas (“GHG”) emissions.

CenTrio has formed a clean energy stakeholder committee. This committee has a representative from the City of Seattle, King County, Seattle City Light, the 2030 District, the IBEW, mechanical contractors, developers, architects and existing CenTrio customers. Through its work on the committee as well as other efforts, CenTrio will set aggressive but achievable milestones to reduce its carbon impacts, while helping the surrounding community achieve its goals for GHG emissions reductions.

- 2021 – 2030 – introduce renewable fuels, improve operational efficiency, expand our district energy system (hot water), and continue to purchase carbon offsets.
- 2030 – 2050 – decarbonize fossil fuel use from the district system, implement new technologies, continue to invest in our system.
- CenTrio will invest in the City of Seattle through our customer buildings and will expand beyond 28 million square feet by utilizing hot water nodes.
- CenTrio is moving aggressively toward reducing its GHG emissions, and just needs support (or at least not to be driven out of business) in the meantime.

CenTrio’s district energy infrastructure must be preserved and enhanced and will play a key role in a sustainable future for Seattle.

CenTrio is committed to decarbonizing its operations. The result of that process, which will require time and investment, will be a robust district energy network that will play a crucial role in Seattle’s sustainable future. Indeed, the CCA itself calls for using the cap-and-trade program’s proceeds to promote “district energy.” See RCW 70A.65.260(1)(e). In the meantime, however, CenTrio should be afforded the time and the opportunity to marshal investments necessary for transitioning to a low-carbon future.

Several other classes of emissions sources (e.g., emissions-intensive, trade-exposed industries and electric and natural gas utilities) are poised to receive special treatment under the CCA and WAC 173-446 including substantial distributions of no-cost allowances to help those sources survive as going concerns while transitioning to a lower GHG-emission future. The sources that did not receive such favorable treatment appear to be suppliers of fossil fuels other than natural gas, and – inexplicably – CenTrio (which does not supply fossil fuels).

In the first legislative session following enactment of the CCA, Washington legislators recognized that district energy facilities represent a special type of source warranting special treatment under the cap-and-trade program. Although the final bill did not pass both chambers of the legislature, Second Substitute House Bill 1682 (“HB 1682,” 2021-2022 Legislative Session) would have delayed the entry of “district energy facilities” into the cap-and-trade program until at least the second compliance period. The bill also called on Ecology to consider the matter of how best to treat district energy facilities under the program and to promulgate a rule setting forth such regulatory treatment.



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CenTrio believes that legislation akin to HB 1682 and special regulatory treatment by Ecology are necessary to preserve CenTrio and other district energy facilities as tools in the long-term battle to combat climate change. CenTrio asks that Ecology, when communicating with legislators regarding the CCA and the WAC 173-446 program, express support for careful study of how best to treat district energy facilities under the cap-and-trade program so as to allow such facilities the time and support to transition to low-carbon operations and therefore preserve those facilities as tools in Washington's future urban GHG reduction successes.

Apart from working with the legislature as described above, CenTrio appreciates Ecology's efforts – within the CCA as it exists now – to address the cap-and-trade program's anticipated high allowance prices. Based on Ecology's allowance price estimates in its Preliminary Regulatory Analyses, CenTrio would face compliance costs of approximately \$18.5 million in the first compliance period alone (followed by \$26 million and \$28 million the second and third compliance periods, respectively). For the total program through 2050, CenTrio's compliance costs would be approximately \$140 million, and \$5 million per year, on average. Meeting those extremely high compliance costs, and trying at the same time to make the infrastructure investments necessary to transition to lower-carbon operations, is simply untenable. We appreciate efforts by Ecology to attempt to manage allowance prices, including through front-loading future years' Allowance Price Containment Reserve allowances into the first years of the program. We ask Ecology to take whatever other measures it can to mitigate rises in allowance prices.

Absent an alternative compliance pathway for the Steam and Air Conditioning Supply industrial subsector or some other means of mitigating the cap-and-trade program's extraordinary anticipated compliance costs, CenTrio will likely not be able to maintain the viability of its district energy system, resulting in a loss of crucial infrastructure for Seattle's sustainable future and the leakage of emissions from CenTrio's central source to numerous smaller sources that cannot instantly switch to electricity and would therefore install and operate their own fossil fuel-fired boilers outside the coverage of the CCA cap-and-trade program.

CenTrio appreciates the opportunity to provide input on Ecology's proposed rule for WAC 173-446. We hope to continue engaging with Ecology as the CCA program begins and the Legislature continues to weigh how best to treat district energy facilities under the program.

If you have any questions about these comments, please contact me.

Sincerely,



Clarence Clipper

cc: Luke Martland, luke.martland@ecy.wa.gov



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