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Dear Department of Ecology Staff:

Puget Sound Energy (“PSE”) appreciates the opportunity to provide comments on the proposed Clean Fuels Program (“CFP”) developed by the Washington Department of Ecology (“Ecology”). PSE was proud to support House Bill 1091, the bill that established this program in the 2021 legislative session. We are committed to creating a clean energy future, including transforming our electricity supply to carbon-free by 2045, and in accordance with our “Beyond Net Zero Carbon” goal, PSE seeks to partner with customers and industry to reduce carbon emissions in other sectors such as electrified transportation.

In addition to supporting the majority of the recommendations provided in the Joint Utility Comments, PSE offers the following additional comments in support of (1) mandating a statewide average annual mix to calculate carbon intensity; (2) the inclusion of renewable natural gas (“RNG”) as a Tier 1 and Tier 2 fuel pathway; (3) the CFP’s alignment with other low carbon fuel standard (“LCFS”) programs; and (4) the provision of advance credits.¹

A. The CFP Should Mandate A Statewide Annual Average Generation Mix For Calculating Electricity Carbon Intensity.

PSE supports the use of the statewide annual average generation mix as the sole approach for calculating electricity carbon intensity. In addition to being rooted in and supported by statute, a statewide annual average approach is administratively less resource-intensive and will more broadly incentivize investments into low-carbon electricity resources because it will encourage more parties to participate in the program. Accordingly, PSE encourages Ecology to adopt a statewide annual average generating mix for calculating the default electricity carbon intensity.

First, as other commenters such as ChargePoint have noted, this statewide average approach will make the program easier to administer for both regulators and participants. Making Washington’s CFP as simple as possible to participate in and oversee will lower technical barriers, reduce administrative costs, and encourage more parties to contribute to lowering the carbon intensity of transportation fuels in the state.

¹ While PSE supports the vast majority of the Joint Utility Comments, PSE believes that the CFP should mandate a statewide annual average generation mix for calculating electricity carbon intensity, rather than using utility-specific carbon intensities.

Second, using a statewide average aligns with both Oregon’s and California’s clean fuel standard programs.² Adopting a similar approach to calculating electric carbon intensity in Washington would make the program more accessible for participants that conduct businesses in multiple states.

Finally, House Bill 1091 supports the use of a statewide average approach. Section 4(1)(a)(ii) of the law states that the CFP rules adopted by Ecology may “[c]onsider carbon intensity calculations for transportation fuels developed by national laboratories or used by similar programs in other states.” Because both Oregon and California use the statewide average approach for calculating electricity carbon intensity, Ecology has the authority to adopt a similar approach.

Similarly, section 4(1)(b)(ii), which states that the CFP rules must “[m]easure greenhouse gas emissions associated with electricity and hydrogen based on a mix of generation resources specific to each electric utility participating in the clean fuels program,” also leaves room for Ecology to establish a statewide average approach. This subsection simply instructs that Ecology should calculate the statewide annual average electric carbon intensity based on the specific electric utilities that participate in the program, rather than based on every electric utility in the state. Furthermore, interpreting this provision otherwise would contradict Ecology’s mandate in Section 4(1)(a)(ii) to consider other jurisdiction’s carbon intensity calculations in developing the rules.

For these reasons, to promote ease of administration, regulatory consistency, and HB 1091’s mandate, Ecology should apply a statewide annual average carbon intensity for electricity.

B. The Inclusion of RNG Fuels Will Spur Further GHG Emission Reductions.

PSE supports the inclusion of biomethane-based (RNG) fuel types as a Tier 1 and Tier 2 fuel pathway under WAC 173-424-600(5). This appropriately corresponds with the inclusion of RNG fuels under California’s LCFS and under Oregon’s Clean Fuels Program,³ as well as with other programs in Washington that incentivize RNG use.⁴

While PSE anticipates that the majority of greenhouse gas (“GHG”) emission reductions in the transportation sector will occur via electrification, renewable fuels like RNG will help support grid resiliency and can play an important role in decarbonizing larger, heavy-duty transportation vehicles. For example, a recent 2022 study by the Canadian Urban Transit Research and Innovation Consortium that included data from two American transportation agencies found that “buses operating using [RNG] can be cleaner and cheaper to operate than” battery-electric buses and fuel cell electric buses.⁵

² See OAR 340-253-0400(3)(b) (setting the statewide average electricity carbon intensity as the default option for electricity); Cal. Code Regs. tit. 17, § 95488.5(e) (listing statewide average grid electricity as a carbon intensity value for electricity).

³ Cal. Code Regs. tit. 17, § 95488.1(c)–(d); OAR 340-253-0400(5).

⁴ See, e.g., RCW 80.28.385(2) (Washington’s RNG program); proposed WAC 173-446-040(2)(a)(i) (Washington’s proposed Climate Commitment Act regulations).

⁵ Dr. Roberto Sardenberg, et al., *Renewable natural gas a complementary solution to decarbonizing transit*, 6 (June 30, 2022),

<https://static1.squarespace.com/static/53a09c47e4b050b5ad5bf4f5/t/62bdf4e8e42b610e39285083/1656616169512/CUTRIC+Renewable-Natural-Gas-as-a-Complementary-Solution-to-Decarbonizing-Transit+June-30-2022.pdf>.

A further benefit of RNG is that it can be directly injected into existing gas pipelines, thereby effectively utilizing already installed refueling infrastructure.⁶ And in areas where the electricity grid currently has a high carbon intensity, RNG might be the only viable option to reduce emissions.⁷ PSE appreciates the proposed rule's recognition of how RNG will play a role in Washington's decarbonized future.

C. The CFP Should Align With Other LCFS Programs.

PSE supports Ecology's efforts to align the CFP with other LCFS programs in California and Oregon. In particular, PSE appreciates Ecology's inclusion of established fuel pathways certified by these out-of-state programs under WAC 173-424-600(4) and alignment of monitoring requirements under WAC 173-424-400(8)(b). By aligning the CFP with a broader regional approach, Ecology limits compliance burdens for regulated parties and secures important benefits that will drive faster and more effective decarbonization of the transportation sector.

The CFP's alignment with other LCFS programs reduces administrative burdens for CFP compliance and streamlines credit generation opportunities, facilitating more efficient decarbonization. First, by allowing fuel production facilities to satisfy monitoring requirements by submitting plans required under California's or Oregon's LCFS programs, Ecology prevents these facilities from expending undue resources to duplicate compliance efforts across similar programs. Such an approach encourages broader participation across regional programs, which, as described below, increases their effectiveness. Second, by providing for fuel credits based on pathways certified under California's or Oregon's LCFS programs, Ecology allows for faster credit generation that builds on the experiences of more established programs.⁸

Importantly, aligning the CFP with similar programs in the region expands market opportunities and optimizes the effectiveness of the CFP. As the International Emissions Trading Association ("IETA") explains in its comments, a cooperative, regional approach to LCFS programs will ensure that these programs operate efficiently and effectively, in addition to lowering program costs.⁹ A regional approach expands the affected market, increasing program efficiency by limiting differential credit pricing and providing access to a wider range of abatement opportunities. This broader approach boosts returns for innovative fuel decarbonization strategies and facilitates deeper decarbonization of the transportation sector.

D. Advance Credits Will Reduce Innovation Barriers.

PSE supports Ecology's provision for advance credits in the CFP.¹⁰ Advance credits help encourage investment in innovative fuel decarbonization strategies that will secure long-term programmatic benefits by offsetting compliance costs during development.

⁶ *Id.* at 25.

⁷ *Id.*

⁸ The California LCFS, for instance, has been in effect since 2011. See California Air Resources Board, *LCFS Regulation*, <https://ww2.arb.ca.gov/our-work/programs/low-carbon-fuel-standard/lcfs-regulation>.

⁹ See Letter from IETA to Washington State Department of Ecology, at 2 (Aug. 2022) ("IETA Comments").

¹⁰ See WAC 173-424-110(2) and WAC 173-424-550.

Infrastructure needs and technological feasibility present significant barriers to decarbonization of the transportation sector in the short term. Industry actors are well-positioned to develop solutions to these barriers, given their extensive practical experience. However, developing such solutions requires substantial up-front investment, with limited initial benefits. But over time, as these solutions enter the market, they generate substantial benefits, both in terms of cost savings and emissions reductions.

Ecology's advance credit system reduces innovation barriers by offsetting costs for industry innovators during development, and recouping costs once these innovators have begun securing a return on their initial investment. Such an approach encourages broader innovation and will secure important long-term emissions reductions that significantly further progress towards decarbonization.

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Thank you for the opportunity to provide input on the proposed CFP rule. We hope the comments are helpful in articulating PSE's support and provide additional program refinements for Ecology's consideration. We look forward to continued collaboration with Ecology in this process.

Sincerely,

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