

Puget Sound Energy

June 7, 2024

Attention: Adam Saul, CFS Rule Lead
Department of Ecology
Climate Pollution Reduction Program
P.O. Box 47600
Olympia, WA 98504-7600

RE: PSE informal comments on Ecology's Clean Fuel Standard Rulemaking revising Chapter 173-424 of the Washington Administrative Code

Puget Sound Energy, Inc. (PSE) serves approximately 1.2 million electric and 900,000 natural gas customers across 6,000 square miles in Western Washington. PSE appreciates the opportunity to comment on The Department of Ecology's (Ecology) informal rulemaking phase for revising its Clean Fuels Program to align with recent legislative changes to promote the production and use of sustainable aviation fuels in Washington, implement a third-party verification system, update compliance and enforcement language based on year one of the program, and other clarifications and miscellaneous changes. PSE strongly supports reducing the carbon intensity of transportation fuels. In alignment with Ecology's Draft Clean Fuel Standard Guidance document on allowable uses for credit revenues, PSE intends to invest in programs and projects that further promote transportation electrification in its electric service area. Residential electric vehicle (EV) charging credit revenues in particular will be used to augment PSE's existing Transportation Electrification Plan and maximize greenhouse gas reductions. Furthermore, PSE aims to prioritize spending at a minimum of 30% toward "transportation electrification projects in or benefitting communities experiencing air pollution."

PSE supports Ecology's proposal to consider allowing zero-carbon intensity (CI) electricity to be claimed for producing electrolytic hydrogen for Sustainable Aviation Fuel (SAF) using book-and-claim style accounting to support Senate Bill 5447's goal of increasing in-state sustainable aviation fuel production. PSE also supports a framework to ensure accurate reporting, confidence in market instruments, and program integrity, but cautions Ecology to consider ways to minimize unnecessary costs associated with third-party verification based on lessons learned in Oregon and California.

PSE respectfully asks Ecology to consider the following points in the development of draft rules:

I. Electricity "Book-and-Claim": Ecology's rules should consider resources that are delivered to an organized electricity market that is capable of serving Washington retail electric customers.

Ecology is proposing to add requirements to ensure that electricity claimed under the Clean Fuel Standard (CFS) is delivered to Washington. In order to support greater regional collaboration and recognize participation in regional organized electricity markets, PSE recommends Ecology adopt language in its rules similar to that in the Clean Energy Transformation Act (CETA) rules adopted

by the Washington Utilities and Transportation Commission, specifying that delivery to Washington includes resources that are delivered to "[...] the transmission system of any entity that is a participant in a centralized organized market located in the Western Interconnection in which the electric utility is a participant."

Since before the inception of Washington's CFS, utilities in the state have been pursuing participation in organized regional electricity markets. An organized electricity market allows for the efficient dispatch of resources across multiple portfolios and balancing areas to achieve cost savings, capacity savings, reduced renewable curtailment, reliability benefits, and other benefits. If a Washington utility is a participant in an organized electricity market, it will acquire electricity in that market for the purposes of serving load within the state. Consistent with CETA, this electricity should be considered delivered to Washington for the purposes of the CFS.

II. Electricity "Book-and-Claim": Ecology should exempt electric utilities from the additionality requirement because it undermines the carefully orchestrated electricity transition created by the legislature in CETA.

The CFS will be implemented concurrent with CETA, which already requires electric utilities to achieve 100% clean electricity by January 1, 2045 without any offsets or credits. For investor-owned and consumer-owned electric utilities in Washington, CETA establishes the following three requirements regarding electricity supplied to Washington customers:

- Eliminate coal-fired electricity from allocation of electricity by December 31, 2025;
- Achieve a net-zero greenhouse gas emission electricity supply by January 1, 2030, requiring that at least 80% of their electricity comes from non-emitting or renewable resources, and the remaining 20% be met with renewable energy credits, or investments in energy transformation projects that benefit low-income communities and vulnerable populations; and
- Achieve 100% clean electricity by January 1, 2045, meaning that non-emitting or renewable resources must supply 100% of all sales of electricity to Washington retail electric customers of their electricity.

Requiring utilities to go beyond and build above the CETA glide path or procure more than 100% non-emitting resources to realize the benefits of the CFS simultaneously undermines the balance of costs and benefits struck by the legislature in creating CETA and reduces the effectiveness of the CFS program. Washington will realize more benefits sooner and at a lower cost if the incentives created by the CFS program are available to CETA-regulated utilities for any and all non-emitting electricity.

III. Green-e: Ecology should allow entities to use Green-e RECs to demonstrate electricity claimed for the CFS, but should not require it.

In the case of RECs purchased and used for incremental credit generation, Green-e certification is not necessary for utilities, as retirement of the REC ensures the entity owns, and has not double counted the attributes. Green-e represents a meaningful standard for the voluntary market for corporate and non-utility entities claiming renewable energy. But for utilities, Green-e has more limited value in the context of 80% and 100% standards for bundled non-emitting electricity procured by the utility. Washington utilities are moving rapidly toward CETA's GHG neutral by 2030 and 100% clean by 2045 standards. Utility procurement of bundled renewable electricity has advanced to a stage at which it represented more than 60% of in-state generation in 2022 and utility

resource plans are calling for more than 7,000 megawatts of new non-emitting generation in the next 5-7 years . Thus, requiring customers to bear the financial premium of a Green-e product outside of an incremental voluntary program is unnecessary to achieve the quality of resources utilities already possess.

IV. Biomethane Book-and-Claim: Ecology should promote the growth of biomethane markets by applying a broad geographic standard and by recognizing procurement to comply with the Climate Commitment Act (CCA).

PSE encourages Ecology to consider biomethane injected into any pipeline in North America to be eligible for uses as a feedstock under the Clean Fuels Program via book-and-claim accounting. There is no way around the fact that new energy infrastructure to reduce emissions comes with upfront costs. Book-and-claim contracts for emissions-reducing energy decreases the costs of the energy transition while resulting in the same, measurable climate benefits.

First, geographically restricting where biomethane must be injected arbitrarily limits the greenhouse gas emissions reductions that would otherwise occur. Effects of greenhouse gas emissions are global, so reducing these emission anywhere—within Washington or otherwise—creates a climate benefit everywhere, and through book-and-claim treatment Ecology can incentivize greenhouse gas reductions beyond its borders.

Biomethane, colloquially referred to as renewable natural gas or RNG, is physically identical to traditionally produced natural gas and, as a result, cannot be physically tracked to an end-user once injected into the pipeline system. As such, imposing geographic constraints on where the biomethane must be injected into the pipeline system does not result in any additional benefit to Washington because the molecule that comes out of the pipeline cannot be identified as biomethane or traditional methane. Information documenting the injection of the biomethane in the first instance ensures that climate benefit occurs and the payment for the biomethane for use by Washington residents ensures that the State can claim that benefit. Reducing the pool of eligible biomethane via deliverability requirements will only serve to reduce the effectiveness of the CFS program.

Second, gas utilities subject to the Climate Commitment Act (CCA) should be exempt from the additionality requirement. The CCA aims to reduce statewide emissions 95% below 1990 levels by 2050 and requires emission reduction compliance measures to be implemented towards this goal on an annual basis. Because procuring biomethane is one of the few CCA compliance options currently available to utilities, an additionality requirement would the set the CFS at odds with the CCA. Utilities likely would default to applying all biomethane purchases toward their stringent CCA compliance obligation. Without an additionality requirement, the CFS is expected to enable utilities to procure more biomethane by offsetting the cost of doing so for customers. The CCA will necessitate a monumental shift in Washington's energy infrastructure and all emissions-reducing incentives should be on the table to cost-effectively manage this transition. As such, the CCA and CFS should work together harmoniously to achieve the GHG reduction goals of the state.

CONCLUSION

In summary, PSE appreciates the opportunity to comment at this informal stage and strongly supports reducing the carbon intensity of transportation fuels, and increasing production of in-state

sustainable aviation fuel. PSE also supports Ecology's pursuit of cost-wise framework to ensure accurate reporting, confidence in market instruments, and program integrity. PSE respectfully asks Ecology consider its comments regarding consideration of policy interactions with CETA and the CCA in development of book-and-claim accounting for electricity and biomethane, treatment of REC-generating resources deliverable to Washington through an organized electricity market, and applicability of Green-e certified RECs for claims of renewable electricity. PSE looks forward to continued discussion on these matters over the course of this rulemaking.

Sincerely,

/s/ Wendy Gerlitz
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¹ Chapter 480-100-650 WAC

- Achieve 100% clean electricity by January 1, 2045, meaning that non-emitting or renewable resources must supply 100% of all sales of electricity to Washington retail electric customers of their electricity.

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² Washington Department of Commerce annual Fuel Mix Disclosure - [Fuel Mix Disclosure - Washington State Department of Commerce](#) (2022)

³ Northwest Regional Forecast produced by the Pacific Northwest Utility Conference Commission. [2024-PNUCC-Northwest-Regional-Forecast-final.pdf](#)

reducing energy decreases the costs of the energy transition while resulting in the same, measurable climate benefits.

First, geographically restricting where biomethane must be injected arbitrarily limits the greenhouse gas emissions reductions that would otherwise occur. Effects of greenhouse gas emissions are global, so reducing these emission anywhere—within Washington or otherwise—creates a climate benefit everywhere, and through book-and-claim treatment Ecology can incentivize greenhouse gas reductions beyond its borders.

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⁴ Unlike traditionally produced natural gas, however, biomethane can have a significantly lower or even negative carbon intensity value. See California Air Resources Board, *LCFS Pathway Certified Carbon Intensities*, <https://ww2.arb.ca.gov/resources/documents/lcfs-pathway-certified-carbon-intensities> (last visited May 26, 2023).

CONCLUSION

In summary, PSE appreciates the opportunity to comment at this informal stage and strongly supports reducing the carbon intensity of transportation fuels, and increasing production of in-state sustainable aviation fuel. PSE also supports Ecology's pursuit of cost-wise framework to ensure accurate reporting, confidence in market instruments, and program integrity. PSE respectfully asks Ecology consider its comments regarding consideration of policy interactions with CETA and the CCA in development of book-and-claim accounting for electricity and biomethane, treatment of REC-generating resources deliverable to Washington through an organized electricity market, and applicability of Green-e certified RECs for claims of renewable electricity. PSE looks forward to continued discussion on these matters over the course of this rulemaking.

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/s/ Wendy Gerlitz

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