

August 15th, 2025

Washington State Department of Ecology
Cap-and-Invest Program – Electric Utility Allocation
[Submit via official comment portal]

RE: Comments on Cap-and-Invest: No-cost Allowance Allocation for Electric Utilities - July 22, 2025 Workshop

Washington Public Utility Districts Association (WPUDA) represents 27 public utility districts (PUD) operating in Washington state that provide services critical to public health, safety and welfare. PUDs are committed to environmental stewardship while providing reliable and low-cost water, wastewater, energy, and telecommunications utility services.

PUDs operate under the broad authority under RCW Title 54 to plan, construct, and operate all manner of utility infrastructure. As not-for-profit governmental entities with locally elected governing boards, PUDs are subject to transparent governance, long-term planning obligations, and community and state oversight.

At nearly 40 percent, PUDs collectively provide more electricity used in Washington state than other category of utility including Investor-owned, municipal and cooperatives. As such, PUDs are integral and essential partners in ongoing efforts to reduce greenhouse gas (GHG) emissions in line with the Climate Commitment Act (CCA).

Our comments in this correspondence are focused on the topics identified in the July 22, 2025, workshop (slides 20, 22, 25–26, 32, 39, 50, and 57) as it pertains to the implications for consumer-owned utilities and the communities we serve.

Allowance Transfer to a Federal Power Marketing Administration (Slide 20)

PUDs strongly support the ability to transfer no-cost allowances to a federal power marketing administration (e.g., BPA) when those allowances are directly tied to the cost burden of power supply serving Washington retail load.

This approach achieves the following objectives:

- Reduce compliance complexity for load-following PUDs served predominantly by BPA.
- Improve administrative efficiency by aligning allowance distribution with the entity responsible for compliance.

Further, Ecology's implementing rules must place no additional administrative or reporting barriers on utilities exercising this transfer option; this is particularly burdensome on the smaller utilities who have limited staff resources.

Consignment Requirements (Slide 22)

While consignment can promote carbon price transparency, PUDs are concerned about mandatory consignment requirements in the second compliance period.

This requirement disproportionately affects small and medium-sized PUDs, auction participation entails transaction costs. For efficiency and cash-flow purposes, utilities need the option to choose which auctions to participate in.

We recommend Ecology maintain voluntary consignment for COUs.

Use of Allowances and Proceeds (Slides 25–26)

PUDs agree with the statutory priority to use consignment proceeds to mitigate rate impacts, especially for low-income customers.

We request clear guidance that provides utilities the flexibility to use proceeds in ways that best align with each utility's equity and low-income circumstances. Allowable uses include, but are not limited to, bill credits, weatherization, distributed energy resource programs, and demand-side management investments that reduce long-term customer costs.

Revised Forecast Timing (Slide 32)

PUD governing boards often approve load forecasts on an annual planning cycle that does not align with the current July 30 deadline.

- We recommend Ecology extend the deadline to **September 30**, which better matches PUD planning and budget cycles.
- We recommend Ecology also allow provisional submission with later board ratification to further reduce scheduling conflicts.

Administrative Costs Data (Slide 39)

PUDs welcome Ecology's effort to establish a calculated method for administrative cost mitigation.

The following areas are what we recommend:

- Inclusion of both fixed and variable compliance-related costs (e.g., tracking, reporting, public engagement, auction participation, and program-specific software or staffing).
- A recognition that first-period start-up costs are disproportionately more burdensome for smaller utilities with fewer staff resources, and the calculated method should account for this difference.

We support the October 2026 allocation to offset these costs but request retroactive coverage for early expenses incurred since the program was initially started as first-period start-up costs are typically disproportionately higher than ongoing costs.

Draft Allocation Adjustment Guidance (Slide 50)

PUDs support the stated intent to avoid penalizing utilities for legitimate market optimization or overachievement in decarbonization. However:

- The proposed >15% divergence threshold should only account for statewide electrification trends. A second category of adjustments should be created to account for new high-density loads that are consistent with state policy goals (e.g., EV charging, clean hydrogen, and commercial and industrial electrification).
- We strongly recommend narrowing “misrepresentation” to intentional misstatement of forecasts, to avoid penalizing good-faith estimates made with best available data.

Second Compliance Period Approach (Slide 57)

We recognize the value of a defined allocation schedule for the second compliance period (2027–2030). To support PUD compliance readiness:

- Guidance on treatment of storage, distributed resources, and demand response should be issued by early 2026 to align with utility IRP and CETA compliance planning.
- We recommend avoiding mid-period allocation revisions unless triggered by exceptional circumstances or at the utility’s request, to provide budget certainty for multi-year program design.

Conclusion

Washington’s PUDs remain committed to achieving the state’s climate and clean energy goals while protecting our customers from undue cost burdens. We urge Ecology to adopt allocation

rules and guidance that maintain operational flexibility, minimize administrative costs, and respect the unique governance and power supply structures of consumer-owned utilities.

PUDs in Washington state along with fellow stakeholders are ready to implement a clean energy transition that is resilient, reliable, and rooted in community trust.

Please don't hesitate to contact me at tnelson@wpuda.org or (360) 890-6681 if you would like to discuss any of these recommendations further.

A handwritten signature in black ink, appearing to read "Travis Nelson", with a stylized, cursive script.

Travis Nelson, Regulatory Affairs Manager
Washington Public Utility Districts Association