



*Energizing Life in Our Communities*

May 2, 2025

***Submitted via email and web portal***

Washington Department of Ecology  
Attn: Camille Sultana, Senior Environmental Planner  
P.O. Box 47600  
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**Re: Ecology Decision to Retroactively Collect Allowances from Utilities through Future Allocation Reductions**

To the Cap-and-Invest Policy Section,

On behalf of the Public Utility District #1 of Snohomish County (Snohomish), thank you for the opportunity to provide comments on the Department of Ecology's (Ecology) allocation methodology for No Cost Allowances (Allowances) and its authority to adjust these allocations. These comments respond to the April 17 public workshop on electric utility allocations, particularly the proposal to decrement future allocations based on a retroactive recalculation of prior years. Snohomish has also provided separate comments on other workshop topics.

Snohomish strongly supports the Climate Commitment Act (CCA) and its mission to reduce statewide carbon emissions. Our concern is ensuring the CCA's success while maintaining utilities' ability to comply with state clean energy laws in a cost-effective manner.

**However, we are deeply concerned by Ecology's plan to retroactively recalculate Allowance allocations for 2023 and 2024 and collect the difference by reducing future allocations through 2030. This action will financially harm Snohomish ratepayers and create significant uncertainty in the cap-and-invest program.** Snohomish is committed to working collaboratively with Ecology on a resolution. Addressing this issue is our highest CCA-related priority.

The intent of these comments is to:

1. Outline the narrow issue that led to Ecology's decision to retroactively collect Allowances and discuss why such retroactive collection creates harm
2. Identify the direct impacts to Snohomish ratepayers and our compliance planning
3. Propose potential alternatives and recommend an open dialogue to collaborate on a solution that prevents harm to Snohomish ratepayers

### **Background: Methodology Change Led to Retroactive Allocation Reductions**

At the October 16, 2024 allocation schedule workshop, Ecology staff stated that they believed their initial methodology accounting for carbon associated with the Bonneville Power Administration's (BPA) Energy Imbalance Market (EIM) participation overstated the actual carbon emissions incurred. In acknowledging this methodological error, Ecology justifiably sought to update its methodology associated with BPA EIM emissions. This included developing a modification to the formula for calculating emissions associated with BPA power purchases. In most cases, this change resulted in a reduction of Allowances allocated to BPA customer utilities.

While Snohomish supports applying the improved methodology to future allocations, Ecology also retroactively applied the new method to 2023 and 2024, recalculating what utilities would have received under the revised approach. It then used the difference between actual and recalculated allocations as the basis for decrementing allocations from 2026 to 2030. We strongly oppose this retroactive application.

### **Retroactive Collection Penalizes Utilities for Past Compliance Decisions**

The concept of a retroactive collection creates harm because it applies unknown future rules to past market decisions that were made based on the best information available at the time. If utilities are subject to retroactive changes in allowance allocations, it becomes impossible for utilities to plan for allowance consignment as there would be no way to anticipate future retroactive changes made by Ecology and their effect upon allowance inventories.

Regarding this particular methodological change, both the initial methodology and its update were established and implemented by Ecology. When calculating the differential, the same utility load and resource forecasts are used in both models; the differential is created only by the change in methodology and not by any input provided or action taken by a utility. Further, utilities had no input or consultation prior to the methodology being proposed, implemented, and incorporated into the allocation schedule.

While we support Ecology's authority to improve methodologies and apply them going forward, using those updates to retroactively reduce previous allocations unfairly penalizes utilities acting in good faith.

### **Snohomish's ratepayers will be directly harmed by the retroactive collection of Allowances through increased compliance costs**

Under the original methodology, Snohomish received its allocation of Allowances in 2023 and 2024. After calculating our compliance obligation for these years, it appeared that these Allowances were surplus to our needs. In order to provide benefit to our ratepayers, Snohomish relied on the best available information from Ecology at the time and, consistent with RCW 70A.65.120(3)(a), consigned a portion of its Allowances to auction. The proceeds were used in accordance with statute to benefit our ratepayers, including low-income customers.

If Ecology now decrements Snohomish's future allocations below our cost burden forecast, Snohomish will longer have adequate Allowances to meet its compliance obligations, resulting in a compliance deficit. Snohomish's options for filling that compliance gap would be limited and would result in direct costs that will likely match or exceed the revenue produced from consigning the original Allowances. At a high-level Snohomish expects that retroactively decrementing future periods could result in millions of dollars of increased costs to our ratepayers. Snohomish could provide more detailed supporting information directly to Ecology to help facilitate discussion if that would be useful.

**Retroactive collections undermine confidence and certainty in the CCA**

Applying methodological changes retroactively undermines regulatory certainty for utilities and market participants. In its April 17 workshop (Slide 38), Ecology identifies “improving certainty for market actors and allocated utilities” and “preserving decarbonization and emission reduction incentives” as key guiding principles.

Allowing past allocation decisions to be revised after the fact sets a precedent that erodes confidence in the stability of the program. Utilities would be discouraged from consigning surplus Allowances—an action intended to benefit ratepayers by mitigating increased costs and incentivizing accelerated decarbonization—due to the risk of future retroactive adjustments. This uncertainty not only weakens participation but may also reduce the availability of consigned Allowances, resulting in broader market impacts and diminished incentives to reduce emissions.

**Recommendation: Ecology should not proceed with retroactive decrements of future allocations due to Ecology-driven methodological changes**

Snohomish understands that in some limited circumstances, retroactive adjustments may be unavoidable. This would likely apply to situations where there were problems with data submitted by utilities resulting in an incorrect allocation. However, in situations where retroactive decrements are due to policy changes - variables or methodologies entirely within Ecology’s discretion - utilities should be held harmless for utilizing the best information available from Ecology.

This action also comes at a time when our ratepayers face increasing cost pressures from many sources, such as inflation, and considerable uncertainty regarding their economic future. Any increased compliance costs or harms experienced by Snohomish are ultimately borne by our ratepayers, further exacerbating their overall economic uncertainty.

**Conclusion**

Snohomish supports Ecology continuing its critical work administering the CCA and ensuring that all applicable methodologies are based on the best available information. However, avoiding the retroactive application of methodological changes is essential to prevent harm to utilities and to uphold Ecology’s own principles for allowance adjustments.

We appreciate Ecology’s transparency and willingness to engage both publicly and individually to clarify positions. Snohomish looks forward to continued dialogue and hopes a mutually agreeable solution can be reached.

Sincerely,



Kim Johnston  
Chief Government Relations and Strategy Officer

cc: Casey Sixkiller, Director of the Washington Department of Ecology