

Ian Hunter

Please find attached two comment letters from the Public Utility District No. 1 of Snohomish County. We are submitting two sets of comments:

(1/2) Ecology's Allowance Allocation Methodology as discussed at the April 17 Workshop, and;
(2/2) Topics from April 17 Workshop

We have separated our comments into two submissions to help differentiate the subjects highlight Snohomish's concerns regarding Ecology's Allowance Allocation Methodology.

If you have any questions or would like to discuss Snohomish's comments, please feel free to reach out.

Thank you!



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
Olympia, WA 98504-7600

Re: April 17th Electric Utility Allocation public workshop topics

To the Cap-and-Invest Policy Section,

The Public Utility District #1 of Snohomish County (Snohomish) appreciates the opportunity to provide comments regarding the Department of Ecology's (Ecology's) allocation methodology for No Cost Allowances within the Climate Commitment Act (CCA). Snohomish is a strong supporter of the CCA, having supported its passage in the legislature and continuing to work diligently with Ecology to ensure the program achieves its policy and statutory goals.

Snohomish thanks Ecology for taking steps to better clarify the situations under which Ecology would consider making adjustments to allocated allowances. These comments aim to provide limited feedback on selected issues related to Ecology's stated principles for allowance adjustments and administrative allowances. Snohomish has also separately submitted comments regarding Ecology's Allowance allocation methodology.

Snohomish supports Ecology's principles for improving certainty for utilities and preserving decarbonization incentives

One of the most important aspects of any market is the ability of participants to have confidence when making market-related decisions. Utilities cannot effectively plan for their compliance or possible market participation without certainty that they can rely on the allowances they have received. Further, ensuring that incentives to decarbonize are preserved helps accomplish the overarching policy goals of the CCA.

Snohomish believes these principles provide a strong foundation upon which to build guidance and rules. With regard to the guidance, Snohomish recommends that Ecology focus development on situations where Ecology would seek adjustments. A comprehensive list of parameters that will trigger an adjustment will help utilities to plan for their compliance obligations and manage allowance inventories.

More detail regarding a "close the books" step for past years is needed

Snohomish agrees with Ecology's high level concept of "closing the books" on previous years after some period of time, giving increased certainty regarding those vintage of allowances. We encourage Ecology to continue developing this concept and identify if there are any exceptions to "closed book" years where they could be adjusted.

Ecology should add time into its development timeline to post a draft allocation schedule, especially when adjustments are contemplated

One area of improvement to the existing timeline would be for Ecology to provide a draft allocation schedule ahead of the mandated Oct 1 posting, especially if Ecology is considering making adjustments in methodology. Allowing stakeholders time to examine changes and consult with Ecology staff ahead of the allocation schedule being finalized will provide value to both stakeholders and Ecology.

Administrative allowances should be eligible for use in the first compliance period

When establishing compliance processes for the CCA most administrative costs were borne by utilities upfront. Staff time establishing rules and processes, development of tracking systems, IT infrastructure and support are all at their highest during the first compliance period. Providing allowances that can be utilized in the first compliance period would align the cost burden utilities faced when setting up the CCA with the provision of mitigating allowances.

Conclusion

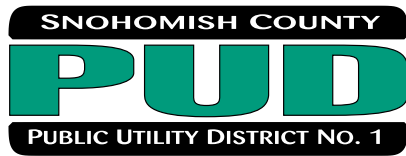
Snohomish thanks Ecology staff for their continued communication with stakeholders and transparency on these topics. The level of engagement is valued by Snohomish and we appreciate the continued dialogue that Ecology hopes to have in its development timeline.

If you have any questions about our comments, please do not hesitate to reach out.

Sincerely,



Kim Johnston
Chief Government Relations and Strategy Officer



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
Olympia, WA 98504-7600

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