Chris Weber

Hello, please find attached The Energy Authority (TEA)'s comments responsive to the November 13 workshop.

December 1st, 2025
Department of Ecology
Climate Pollution Reduction Program
P.O. Box 47600, Olympia, WA 98504-7600

Re: Cap-and-Invest: Electric utility allocation comment period

The Energy Authority (TEA) appreciates the opportunity to comment on the Washington Department of Ecology's (Ecology) Cap-and-Invest Electric utility allocation public workshop on November 13th, 2025. TEA previously submitted substantive comments on August 15th, 2025 in response to Ecology's questions raised in its July 22nd, 2025 presentation. TEA's comments have some reoccurring themes from prior comment periods, and are aimed at addressing areas Ecology requested specific feedback on in the presentation slide deck:

1. Allocation design (slide 29)
2. Administrative allocation (slide 36)
3. Consignment requirements (slide 40)
4. Forecast details (slide 45)

Allocation design

In its presentation, Ecology requests feedback on:
• Initial concept for v2027-2030 allocation and schedule (slide 26)
• Potential replacement of WAC 173-446-230(2)(g) (slide 27)
• Potential modifications to the allocation calculation (slide 28)

TEA understands that Ecology must balance several considerations in devising each period's allocation concept and appreciates the desire to give electric utilities greater certainty to plan forward into time. TEA continues to believe that adjustments to a utility's allocation should come only when there are clear, objective, and significant reasons to adjust an allocation (e.g. new load growth resulting in substantial and divergent cost burden to utility ratepayers, sans new allowance allocation)

TEA has previously commented that it does not support backward-looking adjustments to future allowance allocations. Consistent with our prior comments, TEA remains concerned that Ecology has created a nebulous standard regarding "misleading" forecasts but seeks clarification of how Ecology intends to demonstrate when a forecast is "not reflective of best estimates at the time". TEA recommends Ecology clarify further what guidelines would govern implementation of this standard. For example, Ecology could clarify that adjustments would occur if a newly submitted forecast is materially inconsistent with other recent forecasts without a clear explanation of differences. In general, TEA is concerned that Ecology may assume changing utility load and resource dynamics are indicative of utilities previously providing "misleading" information and make backward-looking adjustments to future forecasts with little recourse for utilities.

TEA is encouraged that Ecology has given clear guidance in Publication 25-14-108, Published Nov. 20, 2025 that Ecology does not intend to seek adjustments related to overachievement of decarbonization and energy efficiency efforts. TEA notes that per this guidance Ecology may consider adjustments when requested to by utilities. Utilities

are likely to request adjustments when they have experienced significantly divergent load growth or supply portfolio change that materially changes their cost burden.

TEA seeks to clarify how a request from a utility would be considered in tandem with the "15% divergence" guideline Ecology also notes in said guidance. Ultimately, TEA believes these two guidelines work well together if the "15% divergence" guideline is specific to situations where actual loads are lower than forecast loads, especially given that Ecology does not intend to seek adjustments related to overachievement of decarbonization and energy efficiency efforts. If Ecology does not tie the "15% divergence" guideline to situations where actual loads are lower than forecast loads, TEA is concerned that the "15% divergence" standard would preclude consideration of load growth that is less than 15% greater than forecast. Meaningful load growth not included in prior forecasts that does not reach the 15% benchmark would be a *substantial* change for a utility's cost burden and should be eligible for consideration by Ecology in the event it occurs in the period after an allocation has been determined.

TEA notes Ecology also plans to apply a "small upwards adjustment to all best-estimate forecasts of retail load to mitigate additional load growth". TEA seeks clarification on how this would comport with utility requests for consideration of new load growth after an allocation has been determined. TEA recommends Ecology consult with utilities to understand how new load growth has been included in published forecasts it is using to do allocation calculations.

TEA also notes that Ecology is considering adopting a single ACS emission factor for the entire allocation schedule. Given that the BPA ACS factor is updated annually and BPA preference customers do not have the ability to influence this factor, TEA continues to recommend that forward allocations are updated annually to reflect the ACS factor for each operating year. Otherwise, TEA seeks clarification from Ecology regarding the derivation of the 0.05 MTCO2e/MWh factor value included in the presentation.

Administrative allocation

In its presentation, Ecology requests feedback on Concept 1 (slide 33) and Concept 2 (slide 34) for providing no-cost allowances to mitigate administrative costs. TEA recognizes the challenges inherent in balancing the need for certainty in allocation amount with a diverse set of utility administrative cost outcomes and appreciates Ecology's response to requests to develop a standardized calculated method. TEA as a company does not possess sufficient data to suggest a particular level for administrative cost mitigation. In lieu of that, TEA recommends Ecology pursue Concept 1 to tie allowance allocations to a specific number of allowances and encourages Ecology to continue to gather data from stakeholders regarding their organizations' incurred administrative costs in the first compliance period of the program.

Consignment requirements

In its presentation, Ecology requests feedback on the initial concept for consignment of no-cost allowances for v2027 and beyond (slide 39). Ecology also requests feedback on other aspects of allocation or Program design that could strengthen the Program's ability to access economically efficient GHG reductions.

TEA submitted substantive comments on August 15th, 2025 regarding multiple facets of allowance consignment. In general, TEA recommended and continues to recommend that Ecology avoid requiring consumer-owned utilities (COUs) to consign allowances to auction. This recommendation stems in part from the burden placed on

many COUs to post large amounts of collateral to participate at auction to buy back allowances it was required to consign. Ecology's concept appears to exempt utilities from consigning allowances if they are using them for direct compliance, which may obviate this concern. Despite that exemption, TEA still holds some concerns about requiring consignment.

TEA interprets Slide 39 as indicating that allowances associated with Bonneville Power Administration (BPA) system power will not be required to be consigned to auction. TEA strongly supports this on its face but encourages Ecology to apply this exception to any allowances allocated to an entity with a BPA power contract, not just allowances resulting from BPA system power. BPA power contracts largely require designation of other resources in a preference customer's portfolio to determine the amount of BPA system power the customer is eligible to purchase from BPA. Accordingly, the generation portfolio of a BPA customer dictates the amount of BPA system power it receives, and therefore the number of allowances it is allocated. In general, TEA wishes to highlight the challenges bifurcating no-cost allowances in this fashion creates regarding administrative burden and commercial operations.

Allowing utilities that receive allocations to enjoy greater flexibility with some allowances, but not all creates challenges in decision-making for utilities, and unnecessary distinctions in allowances that are allocated. A utility receiving allowances from Ecology for its entire portfolio in Ecology's concept is prevented from potentially finding the highest, best use for its allowance portfolio if some allowances can only be retired or consigned, when others may be traded bilaterally. While the auction will likely serve as the largest segment of market liquidity in the program, precluding bilateral transactions of no-cost allowances limits the ability for utilities to manage their portfolios in a way that provides the best intended result for their ratepayers. Smaller entities likely would not be able to realize cost-efficiencies through economies of scale by pooling allowances across entities to facilitate a bilateral transaction in the same manner power procurement may be pooled to effectuate larger-volume transactions. If Ecology does not wish to exempt consumer-owned utilities from allowance consignment as its concept suggests, TEA strongly recommends tying the exemption to BPA customer status. TEA believes this is already consistent with existing statute, which allows for no-cost allowances to be transferred to a federal power marketing entity like BPA.

Lastly, TEA wishes to reiterate that a more pressing concern than requiring consignment of allowances is the large number of allowances that have been allocated to entities that have not set up a CITSS account, leaving supply intended to be in-market sitting out of the market entirely. In TEA's August 15th, 2025 comments, TEA presented a detailed analysis of this issue. The conclusion of this analysis was that at least 19 entities without a compliance obligation received no-cost allowances and did not consign them to auction simply by virtue of never registering for CITSS, totaling over 270,000 allowances. TEA continues to recommend that Ecology consigns unclaimed allowances (solely by virtue of failing to register in CITSS) into auctions after the end of the compliance period.

TEA appreciates Ecology's desire to ensure that market liquidity is strong in the auction and has stated in prior comments that it believes Ecology should develop mechanisms to encourage consignment of allowances that are surplus to an entity's needs. Requiring a specific percentage of no-cost allowances to be consigned to auction unless irrevocably retired for compliance leaves utilities with only one way to participate in the carbon market with price formation occurring just four times per year, while the broader carbon market transacts daily. Speeding up the clock on utilities in the name of market liquidity makes it more challenging for those utilities to make their compliance portfolio work best for their ratepayers.

Forecast details

In its presentation, Ecology requests feedback on the timing of forecasts and schedule publication for 2027-2030 including:

- Should Ecology plan to publish a "draft" of the 2027-2030 allocation schedule using available data before October 1, 2026?
- Should Ecology request any no-cost allowance specific forecasts be submitted earlier than July 30, 2026?

Ecology also requests feedback on the potential clarifying updates related to retail load as used for no-cost allowance allocation under WAC 173-446 (slide 45). Ecology also requests feedback on the initial guidance related to retail load, including whether Ecology should provide further guidance on any topics to support development of 2027-2030 topics (slide 46).

TEA encourages Ecology to publish a draft allocation schedule as soon as available so that entities may plan better. TEA notes that Ecology has asked for additional forecast information to be submitted by July 30th, but that deadlines for filings such as the Clean Energy Implementation Plan are January 1st. TEA recommends Ecology review existing filings before requesting additional forecasts from utilities in advance of July 30th.

TEA is supportive of including losses in calculating retail electric load as that better reflects the volume of demand a utility must be able to meet with supply, and therefore will result in a more accurate calculation of allowances that should be allocated. TEA does not oppose inclusion of PURPA resources or zero-emission resources that support a voluntary renewable retail product in the calculation of zero-emission supply serving a utility's load. TEA does not have additional comments on other 2027-2030 topics at this time.

Conclusion

TEA would like to thank Ecology staff for their review of these comments, as well as others' submissions. We look forward to continuing to work with the department to improve the program, and appreciate the opportunity to provide feedback on electric utility allowance allocations.

Sincerely,

Chris Weber
Manager, Portfolio Analytics

Mobile: 206-538-8637
Email: cweber@teainc.org