Puget Sound Energy (Jessica Zahnow)

August 1, 2025

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

RE: PSE comments on Ecology's Clean Fuel Standard draft formal rules (CR-102) 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) formal draft rules, in which Ecology has proposed changes to address book-and-claim accounting for biomethane and electricity, as well as other changes intended to provide additional crediting opportunities for certain sectors and support prices in the Clean Fuel Standard (CFS) credit market. PSE offers these comments herein and separately offers additional comments jointly with other electricity and natural gas providers in Washington State.

In alignment with the Washington State Department of Ecology's (Ecology's) Draft Clean Fuel Standard (CFS) Guidance document on allowable uses for credit revenues, PSE intends to invest CFS revenues in programs and projects in its electric service area that further promote transportation electrification in Washington State. 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. PSE strongly recommends Ecology reconsider its geographic limitation on RECs uses for incremental credit generation. The Washington, Oregon, and Idaho renewable energy credit (REC) market cannot alone support the demand for attributes across all of Washington's clean energy programs in the near –to medium term. Additionally, Ecology's rules related to the qualifications for book-and-claim accounting of electricity to lower the carbon intensity (CI) of electricity claimed as a vehicle fuel will disadvantage electricity as a clean transportation fuel and will jeopardize the ability of utilities to invest in additional transportation electrification projects in Washington State. It is premature for Ecology to restrict the utilities use of RECs until Ecology has had an opportunity to observe the effects of the other measures in these rules and the utilities have more certainty about their ability to invest in transportation electrification projects in alignment with the Residential EV Charging Credit Revenue Requirements. PSE also offers suggestions for consistency, clarity, and alignment in these comments.

The Washington, Oregon, and Idaho REC market cannot alone support the demand for renewable attributes across all of Washington's clean energy programs in the near term

Beginning in 2026, Ecology is proposing to restrict the use of RECs to lower the CI of electricity in

two ways:
1) requiring RECs to be generated by projects located in Washington, Oregon, or Idaho as opposed to the current criteria which includes projects in the entire Western Electricity Coordinating Council (WECC), and

2) requiring RECs to be generated with vintages of January 2023 or later by projects that commence operation on or after January 1, 2019.

According to the Energy Information Administration (EIA) , only about 2,300 megawatts of wind and solar nameplate generation would meet that criteria, if those projects were generating RECs as of January 2023. That is approximately 7 million RECs per year, assuming an average capacity factor of thirty percent. Clean energy standards, voluntary renewable electricity programs, corporate goals, and clean energy tariffs likely consume most, if not all of that supply. The EIA also reports another 3,600 megawatts of renewable generation that would meet Ecology's proposed standards under development, or approximately 9.5 million additional RECs, if those projects come to fruition. If the boundaries are expanded to include Arizona, Colorado, Montana, Nevada, New Mexico, Utah, and Wyoming (most of the WECC, excluding California), the number of RECs potentially available increases to about 44.5 million per year. Expanding across the WECC, excluding California, increases the potential new supply to about 55 million RECs per year.

PSE's demand for Clean Energy Transformation Act (CETA)-eligible energy alone in 2025 was forecast to be roughly 11 million megawatt-hours according to its 2023 Biennial Clean Energy Implementation Plan Update. This update relies upon new planned wind and solar . Furthermore, recent federal legislation in the One Big Beautiful Bill Act phase out the Internal Revenue Service Section 45Y Clean Electricity Production Tax Credit (PTC) and the Section 48E Clean Electricity Investment Tax Credit (ITC) in near years, creating further headwinds for planned wind and solar development.

Ecology should consider extending the provision in its rules to include projects in the WECC until 2028 to allow time to observe the myriad factors affecting the REC market. Alternatively, Ecology could consider phasing in the locational requirement to provide sufficient time for new REC supply to be developed that is not already accounted for by Washington's other clean energy policies or Oregon's clean energy policies. One example might be to require that twenty percent of RECs used by a utility to lower its CI are generated by facilities located in Washington, Oregon, or Idaho beginning in 2026, increasing ten percent per year until 100 percent is reached. Creating a more realistic pathway to achieving Ecology's goal of incentivizing local investment in new renewable generation provides utilities more certainty about their ability to maximize credit revenues and invest in additional transportation electrification projects

Ecology's rules related to the qualifications for book-and-claim accounting of electricity to lower the carbon intensity (CI) of electricity claimed as a vehicle fuel in the clean fuels program will disadvantage electricity as a clean transportation fuel and will jeopardize the ability of utilities to invest in transportation electrification projects in Washington State

Utilities look for unique opportunities to use RECs to generate additional credits under the CFS in order to direct investment into transportation electrification. Under current market conditions, it remains narrowly economic for electric utilities to participate in the CFS through the REC

retirement given the differential in the REC and CFS credit price. However, if Ecology were to impose even more stringent requirements, further narrowing the availability of RECs, it would only serve to reduce the likelihood even further of participation through the use of RECs. This creates a disadvantage for providers of electricity as a transportation fuel relative to other credit generators and limits the amount of funding PSE can invest in grants or other programs that advance the state's transportation electrification goals.

The REC market is not lacking a driver for the development of further renewable generation in the Pacific Northwest

PSE is concerned that Ecology's proposal to require RECs used to lower a utility's CI be generated in Washington, Oregon, or Idaho will exacerbate the existing shortage in Pacific Northwest renewable resource supply. In its December 4, 2024 workshop, Ecology stated its additionality provisions for RECs used to lower the CI of electricity used as transportation fuel were intended, in part, to "promote further renewable electricity generation in the Pacific Northwest". As explained earlier in these comments, the demand for renewable generation in the Pacific Northwest far exceeds the available supply due to the presence of CETA. Furthermore, the demand for renewable generation and RECs from large energy buyers in the region provides long-term support for Pacific Northwest resources that, in many cases, is not captured by utility forecast needs.

Conclusion: It is premature to restrict the utilities use of RECs until Ecology has had an opportunity to observe the effects of the other measures in these rules, the effects of REC demand arising from other state requirements such as CETA, and the effects of the purchasing activities of deficit generators seeking to comply

PSE also requests Ecology consider the potential for reduced transportation electrification investment and misaligned incentives for utility and non-utility credit generators in its draft rules created by removing a provision that requires non-utility credit generators to use revenues from non-metered residential EV charging to "increase consumer resources to promote transportation electrification" . At minimum, PSE requests Ecology consider requiring non-utility credit generators to contribute to the furtherance of the state goals by some minimum percentage.

Lastly, PSE offers one minor suggestion for consistency. In its rules for claiming a utility specific CI, Ecology's states that RECs must be registered and retired in WREGIS . PSE suggests Ecology align the language in this section with the language used elsewhere in the rules allowing for registration of RECs in an "Ecology recognized tracking system"

"RECs for low-CI or zero-CI utility-specific carbon intensity claim shall be registered in WREGIS and retired in the CFS program ac-count each quarter or demonstrate it is retired in Washington utilities and transportation commission or Washington department of commerce program account."

PSE appreciates the opportunity to comment on Ecology's formal draft rules and respectfully asks Ecology to consider the impacts to the electric sector and investments in transportation electrification in its draft rules and delay the limiting requirements proposed for RECs used to lower a utility's carbon intensity. Such a delay will allow time to observe the effects of the other changes in its rule, the impacts of CETA on the REC market, and the effects of deficit entities purchasing

credits to comply over a longer period. PSE looks forward to continued discussion on these matters over the course of this rulemaking.

Sincerely,

/s/ Malcolm McCulloch
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Ecology should consider extending the provision in its rules to include projects in the WECC[4] until 2028 to allow time to observe the myriad factors affecting the REC market.

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[1] EIA Preliminary Monthly Electric Generator Inventory - Preliminary Monthly Electric Generator Inventory (based on Form EIA-860M as a supplement to Form EIA-860) - U.S. Energy Information Administration (EIA)

[2] Excluding hydroelectric generation due to the limited amount of RECs that are produced by that resource type until 2029.

[3] PSE CEIP Library – Chapter 2: Updating the Clean Energy Targets

[4] WAC 173-424-630(5)(c)

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> *"RECs for low-CI or zero-CI utility-specific carbon intensity claim shall be registered in WREGIS and retired in the CFS program ac-count each quarter or demonstrate it is retired in Washington utilities and transportation commission or Washington department of commerce program account."*

[5]WAC 173-424-420 (3)(b)(iii)
[6] WAC 173-424-610 (9)(n)(ii)(C)
[7] WAC 173-424-630 (4)(d) and (5)(d)

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