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Grays Harbor Energy LLC
401 Keys Rd
Elma, WA 98541

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Via Electronic Filing

Ms. Amanda Maxwell
Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, Washington 98503

Re: Grays Harbor Energy LLC's Comments in Response to Notice of Opportunity to Provide Comments and Agenda, dated October 23, 2023, in Docket U-230161, Facilitation of a Commission-led workshop series on the Climate Commitment Act.

Dear Executive Director Maxwell:

Grays Harbor Energy LLC ("Grays Harbor") appreciates and welcomes the opportunity to submit comments in response to the Commission's October 23, 2023, Notice of Opportunity to Provide Comments and Agenda ("Notice").

Grays Harbor owns and operates the Grays Harbor Energy Center, a 650-megawatt combustion turbine energy generation facility in Grays Harbor County. Grays Harbor is a "covered entity" under the Climate Commitment Act ("CCA").

Grays Harbor submits these comments in response to the following pre-workshop questions, under the heading *CCA Dispatch Cost Modeling*, in the Notice:

5) Should the Commission require utilities to include greenhouse gas ("GHG") costs in their dispatch modeling?

6) What information is needed/readily available to effectively model GHG costs in dispatch, and what assumptions can be made to navigate any potential data limitations?

7) What effect would the inclusion of GHG costs in dispatch modeling have on

customers?[1]

In summary, Grays Harbor answers these questions as follows:

1. In response to Question 5, Grays Harbor supports a requirement for investor-owned utilities ("IOUs") to include GHG costs in their dispatch modeling in order to achieve the greatest emissions reductions at the lowest reasonable cost to ratepayers.

2. In response to Question 6, the CCA provides IOUs with a publicly available proxy for GHG emissions costs in the form of CCA allowances prices. The latest CCA allowances prices should be used or, in the alternative, the Commission can incorporate those auction prices into a formula to set a proxy price used in dispatch.

3. Finally, in response to Question 7, because the CCA provides IOUs with no-cost allowances, inclusion of GHG costs in dispatch modeling should have no negative impact on customers.

1. Response to Question 5: The Commission should require IOUs to include GHG costs in their dispatch decisions.

To achieve statutory carbon-reduction objectives, IOUs should be required to include a market-based carbon price in their dispatch decisions. Otherwise, CCA no-cost allowances will likely result in the more frequent dispatch of less efficient generation sources that emit more carbon than more efficient sources that do not get the benefit of no-cost allowances. In other words, CCA no-cost allowances will likely result in more frequent running of high-carbon-emitting generation resources. This would run directly counter to the CCA's carbon-reduction goal. Requiring the inclusion of a market-based carbon price in dispatch decisions would help mitigate the distortive effect of the no-cost allowances and the risk of unintentional increases in carbon emissions by dispatching efficient, low-emitting resources, at the lowest reasonable cost to ratepayers.

Finding that "climate change is one the greatest challenges facing [the] state and the world today," the State Legislature passed the CCA in order to encourage investment and innovation in low-carbon industries and energy sources.[2] By establishing a declining cap

[1] Notice at 1.
[2] RCW 70A.65.005.

on GHG emissions from the state's top polluters, the CCA is intended to reduce GHG emissions in the state of Washington by 95% by 2050.[3] Among other things, the CCA allocates no-cost allowances to IOUs to cover their forecasted emissions. While there is currently no mechanism to ensure that dispatch decisions account for the market value of carbon as reflected by the cost of CCA allowances, in order to achieve statutory carbon-reduction objectives, it is essential that the Commission require IOUs to include the market value of CCA allowances in economic dispatch.

As NWEC and Climate Solutions discussed in their January 6, 2023, comments in Dockets UE-220770,[4] UE-220789,[5] and UE-220797,[6] the allowances allocated at no cost to IOUs under the CCA have substantial market value. The Department of Ecology ("Ecology") has reported a settlement price of $63.03 per allowance at the latest CCA auction on August 30.[7] However, in its response to comments on the CCA rules, Ecology noted that the cost of the program has not yet been built into dispatch decisions:

> Ecology does, however, acknowledge that the price of electricity is a critical component in the forecast of supply, i.e., that the cost of electrical generation specific to each resource type and generation facility is the most important factor in modeling resource dispatch over time. In simple terms, the forecast of resource supply used to inform the cost burden effect calculation must consider the costs of generation, and those costs of generation will be affected by the allowance price ("carbon cost") [T]he issue here is one of sequencing. Rather than trying to first estimate a financial cost of the program, and then trying to estimate what generation or supply resources were used to meet that cost, Ecology is requiring the reverse. In other words, the costs of electrical generation should be reflective of the addition of a carbon cost into the electrical market, reflecting the "cost burden" of having to procure allowances to cover the emission associated with electricity. Based on those revised costs of

[3] Dep't of Ecology, Climate Commitment Act, https://ecology.wa.gov/Air-Climate/Climate-Commitment-Act.
[4] Petition of Avista Corp. d/b/a Avista Utils. for an Order Approving Its Four-Year Demand and Resource Supply Forecast Pursuant to the Climate Commitment Act.
[5] Petition of PacifiCorp d/b/a Pacific Power & Light Co. Requesting Approval of Forecasts Pursuant to RCW 70A.65.120.
[6] Petition of Puget Sound Energy, Inc., for an Order Approving PSE's Forecasts Pursuant to RCW 70A.65.120.
[7] *See* Dep't of Ecology, Washington Cap-and-Invest Program Auction #3 Aug. 2023 Summary Report (Sept. 6, 2023), *available at* https://apps.ecology.wa.gov/publications/SummaryPages/2302060.html.

> electrical generation, that now reflect the "carbon cost" associated with the program, forecasts of resource supply should be developed that reflect the generation resources, or power market supply, that is ultimately used to provide the retail electric load provided to customers.[8]

Ecology also stated in its responses to comments that the Commission has financial oversight of IOUs and that, "[b]ecause Ecology is not a financial regulator of utilities," taking over even "partial financial oversight" of IOUs would be a "substantial new role for Ecology."[9]

Consistent with the Commission's duty to regulate the rates and services of IOUs to ensure fair, just, and reasonable rates, and to ensure alignment between the statutory goals of reducing carbon emissions and minimizing the cost burden on ratepayers,[10] the Commission should require IOUs to incorporate the price of carbon, as determined by the cost of CCA allowances, into their resource dispatch.

As noted above, the CCA provides electric utilities with no-cost allowances. Without adjustment to account for GHG costs, current dispatch practices will undermine the carbon reduction purposes of the CCA. As identified in NWEC's and Climate Solutions' comments in the IOUs' petitions for approval of their supply and demand forecasts under the CCA, the CCA's no-cost allowances will likely affect dispatch decisions, and will likely have the unintended consequence of encouraging the dispatch of less-efficient generation sources with greater carbon emissions. If IOU use of no-cost allowances results in economic dispatch of less efficient generation resources that emit more carbon, the CCA will have the inverse effect of keeping those resources running when other less carbon intensive resources are available, thereby resulting in higher carbon emissions and prolonging the energy transition. To mitigate this potential, the Commission should require IOUs to include the cost of CCA allowances in their dispatch decisions to ensure that efficient, low-carbon emitting resources are dispatched at the lowest reasonable cost to ratepayers. Absent this requirement, the practice of allocating no-cost allowances to IOUs would undermine the intent and goals of the CCA.

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[8] Dep't of Ecology, Air Quality Program, Concise Explanatory Statement Chapter 173-446 WAC Climate Commitment Act Program, Summary of Rulemaking and Response to Comments, Publication 22-02-046 at 236 (Sept. 2022), *available at* https://apps.ecology.wa.gov/publications/summarypages/2202046.html.
[9] *See, e.g.*, *id.* at 132, 229, 232.
[10] *See* RCW 70A.65.005(2) (legislative intent to reduce greenhouse gas emissions); RCW 70A.65.120(1) (legislative intent to reduce burden on electricity customers).

2. **Response to Question 6: CCA allowance costs should be used as a proxy for GHG emissions costs.**

The CCA provides IOUs with a publicly available proxy for GHG emissions costs in the form of CCA allowances prices. The latest CCA allowances prices should be used or, in the alternative, the Commission can incorporate those auction prices into a formula to set the proxy price used in dispatch. To the extent that additional information is necessary, IOUs are in the best position to provide that information.

3. **Response to Question 7: Inclusion of GHG Costs in dispatch modeling should not negatively impact customers.**

The inclusion of GHG costs in dispatch modeling should not have a negative impact on customers because IOUs receive no cost allowances to cover their forecasted emissions to serve load and their administrative costs of CCA compliance.

Grays Harbor looks forward to continuing to work with the Commission and stakeholders in this workshop. Please direct questions or comments regarding this filing to Nelli Doroshkin at (312) 761-8696 and ndoroshkin@invenergy.com.

Respectfully submitted,

DocuSigned by:
Nelli Doroshkin
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Nelli Doroshkin
Senior Manager, Regulatory Affairs
Invenergy LLC
One Wacker Drive, Suite 1800
Chicago, IL 60606
(312) 761-8696
ndoroshkin@invenergy.com

On behalf of Grays Harbor Energy LLC